

POSTAL RATE READJUSTMENT AND POLICY

MAY 29, 1956.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Mr. MURRAY of Tennessee, from the Committee on Post Office and Civil Service, submitted the following

R E P O R T

[To accompany H. R. 11380]

The Committee on Post Office and Civil Service, to whom was referred the bill (H. R. 11380) to readjust postal rates and to establish a congressional policy for the determination of postal rates, and for other purposes, having considered the same, report favorably thereon without amendment and recommend that the bill do pass.

SUMMARY OF RATE REVISIONS—TITLE I

FIRST-CLASS MAIL

The reported bill increases the rate on first-class mail from 3 cents to 4 cents an ounce.

AIRMAIL

The rate on domestic airmail is increased from 6 cents to 7 cents an ounce.

SECOND-CLASS MAIL

(1) Rate increases for second-class mail are applied on that portion of publications addressed for delivery outside the county of publication. These rates are increased by 5 annual increments resulting in a total increase, at the end of the fifth year, of approximately 30 percent on the reading portion and 120 percent on the advertising portion. The minimum charge is increased from one-eighth cent to one-fourth cent per piece. Neither the increase in rates nor the minimum charge increase affect publications of nonprofit religious, educational, scientific, philanthropic, agricultural, labor, veterans', or fraternal organizations or associations.

(2) The transient rate (publications having second-class entry mailed by other than publishers or as sample copies in excess of 10

percent allowance) is increased from the present rate of 2 cents for the first 2 ounces and 1 cent for each additional 2 ounces to 2 cents for the first 2 ounces and 1½ cents for each additional 2 ounces.

THIRD-CLASS MAIL

(1) The individual piece rate on third-class mail (except books and catalogs) is increased from 2 cents for the first 2 ounces or fraction and 1 cent for each additional ounce or fraction to 3 cents for the first 2 ounces or fraction and 1½ cents for each additional ounce or fraction. For books and catalogs, the individual piece rate of 2 cents for the first 2 ounces is increased to 3 cents and the rate of 1½ cents on each 2 ounces or fraction thereof in excess of the first 2 ounces is replaced by a rate of 1 cent on each ounce in excess of the first 2 ounces.

(2) The rate on third-class matter mailed in bulk, except books and catalogs, is increased from 14 cents per pound and 1½ cents minimum per piece to 16 cents per pound and 2 cents minimum per piece. Bulk mailings of books and catalogs are increased from the present rate of 10 cents per pound with a minimum rate of 1½ cents per piece to 12 cents per pound with a minimum rate of 2 cents per piece.

(3) The fee for a permit to send third-class mail under the bulk mailing rate is increased from \$10 a year to \$20 a year.

(4) Odd-sized pieces of third-class mail will be subject to a minimum charge of 5 cents, representing an increase of 2 cents per piece.

(5) There will be no increases on mailings of nonprofit religious, educational, scientific, philanthropic, agricultural, labor, veterans', or fraternal organizations or associations.

CONTROLLED CIRCULATION PUBLICATIONS

There is no change in the present rate for controlled circulation publications weighing not over 8 ounces (10 cents a pound with a minimum charge of 1 cent per piece). This rate is also established as a uniform rate for publications weighing over 8 ounces as well as those weighing under 8 ounces.

BOOKS

The rate on books is changed from 8 cents on the first pound and 4 cents on each additional pound to 10 cents on the first pound and 4 cents on each additional pound. The category of items entitled to the book rate is substantially increased under this bill.

The present rate of 4 cents on the first pound and 1 cent on each additional pound for books sent by nonprofit public libraries, organizations, or associations is extended to all colleges, universities, and schools, the category of items entitled to this rate is broadened, and the present restriction of these rates to the third zone is eliminated.

NEED FOR RATE ADJUSTMENTS AND CONGRESSIONAL POLICY RECOGNIZED

The general statement preceding title I of the bill recognizes that adjustments in present postal rates and fees are necessary, that postal revenues should more nearly equal postal expenses, and that the Congress should establish a firm and integrated postal rate policy to serve as a guide for adjustments in the postal rate structure.

SUMMARY OF CONGRESSIONAL POLICY ON POSTAL RATES—TITLE II

The committee also recommends in title II a congressional policy on postal rates. A summary follows:

COST ASCERTAINMENT SYSTEM RECOGNIZED

In general, the rate policy provides that the cost ascertainment system of the Post Office Department shall be accepted as the system for determining the apportionment of costs. This system has been upheld administratively by the Interstate Commerce Commission in relation to the establishment of fourth-class rates.

PUBLIC SERVICE EXPENSES NOT CHARGED TO USERS

Taking the cost ascertainment system as a base, the recommended policy would provide for adjustments reimbursing revenues of the Post Office Department for the public service aspects of the postal service. Under the recommended policy, the expenses of services performed by the Department, in accordance with law, which are determined by the Congress, from time to time to be public services will be assumed directly by the Government and paid for from the general fund of the Treasury. These expenses will not be direct charges, in the form of postal rates or fees, to any users of such services or of the mails generally.

The policy then provides that the expenses of the Post Office Department should be either met by charges to the users of the mail or recognized as subsidies or charges for which appropriations are authorized as public services.

FIRST-CLASS AND AIR MAIL ARE PREFERENCE SERVICES

With this as a base, the policy would then assign to first-class mail (including airmail) its allocated costs and some additional portion of costs incurred by the Post Office Department which represents the fair value of the preference accorded to first-class and airmail service, and other intangible cost factors. These factors are spelled out in detail in title II of the bill.

FOURTH-CLASS MAIL PAYS FULL COST

Fourth-class mail, as at present, will pay its fully allocated costs.

INCREASED REVENUES

Following is the estimated total revenue increase in postal rates when all of the rates are in effect:

<i>Class of mail</i>	<i>Increased amount of revenues</i>	
1st-class mail.....	\$295,700,000	
Domestic airmail.....	16,400,000	
2d-class mail (publishers).....	44,500,000	
Transient 2d-class.....	800,000	
3d-class mail:		
Increase in piece rates.....	\$36,600,000	
Increase in pound rate.....	¹ 38,500,000	
Bulk fee.....	1,900,000	
Total 3d-class.....		77,000,000
Increase in revenue.....		434,400,000
4th-class mail:	<i>Additional revenues</i>	<i>Loss of revenues</i>
Books.....	1.6	5.6 (4,000,000)
Controlled circulation periodicals.....		.3 (300,000)
Total revenues.....		\$430,100,000

¹ Includes small additional revenues from increase in rates of odd sizes and pieces.

URGENT NEED FOR RATE INCREASES

Never before in the long history of the postal service has there been so pressing a need for rate adjustments. Since 1946 the aggregate postal deficit has reached \$4.6 billion. This is five times as great as the total losses over the same number of years prior to World War II.

From the turn of the century to the beginning of World War II the average annual postal deficit was about \$33 million. Since World War II the average annual deficit has increased to about \$460 million—almost 14 times as great as the prewar average. It is hard for most of us to realize what so large a sum of money really means. The fact is we are losing \$1,000 a minute. Every hour our taxpayers have to put up another \$60,000 for someone else's postage.

Unless the Congress enacts rate increases now the deficit in the next fiscal year will exceed the average of the postwar years and the trend in postal deficits will continue to rise. It is a sobering fact that if postal costs and revenues maintain a continuing relationship over the next 10 years the deficit in 1965 may be more than a billion dollars.

Almost without exception the countries of the world require their postal services to be operated on a pay-as-you-go basis. Canada, for example, shows a 168 percent return on all first-class mail. The rate increases in this bill will still leave the United States with less than a 130 percent return on first-class mail.

The committee recognizes that continued delay will not solve the fiscal problems of the Post Office Department. For this reason careful study and analysis and a great deal of time and effort have been devoted to the development of the rates contained in this bill.

GENERAL STATEMENT

Seldom has postal-rate legislation been recommended by this committee which has the support of so many of the recognized experts

in the field of postal operations and Government finance and so many large users of the mail.

The hearings on this legislation represent nearly a thousand pages of printed testimony, cover 22 sessions, and contain the testimony and statements of 152 witnesses. The witnesses represent every type of user of the mail that will be affected by the rate increases. Nearly all of these witnesses acknowledged the need for postal-rate adjustments.

STRONG SUPPORT FOR RATE INCREASES

The Postmaster General's proposed rate increases were strongly supported by the President, the Secretary of the Treasury, the Secretary of Commerce, former Postmasters General Jesse M. Donaldson and James A. Farley, other noted authorities in postal operations and Government finance, and representatives of many large users of the mail.

PROPOSED BY THE PRESIDENT AND THE POSTMASTER GENERAL

In a report submitted to the Congress by the President, the Postmaster General said:

An increase of 1 cent per ounce for first-class mail is essential to any sizable cut in the postal deficit. Because 75 percent of all letter mail originates with business, the increase would directly cost the average family only about 10 to 12 cents a month, and yet it would bring in \$295 million each year in new revenue.

FORMER POSTMASTER GENERAL JAMES A. FARLEY RECOMMENDS BILL

Former Postmaster General James A. Farley unqualifiedly recommended this legislation when he testified before the committee. He stated that, when he was Postmaster General:

If my staff had presented me with figures * * * that I would be faced with a \$500 million deficit annually, I would have been greatly concerned.

Mr. Farley further pointed out that the Post Office Department would have shown a surplus during the years he was Postmaster General had it not been carrying the airmail subsidy. This subsidy, of course, has since been eliminated as a charge against the Post Office Department. The same would have been true had penalty mail been charged to the respective departments and agencies as it is now.

With respect to the first-class letter mail increase on which concern has been expressed from some quarters, Mr. Farley said:

I think people who use first-class mail get preferential treatment. You mail a letter in New York today and expect it to be delivered in Chicago tomorrow, or delivered to any other point of destination. If the records I look at are correct, they show that about 75 percent of the first-class mail is paid for by business users of the mail, and only approximately 25 percent of the users are what might be

called personal mail. I see no reason why large corporations and business houses and businessmen should not be willing to pay at least 4 cents. I think it should be 4 cents.

FORMER POSTMASTER GENERAL JESSE DONALDSON ENDORSES INCREASES

Former Postmaster General Donaldson, in commenting on the recommendation for postal-rate increases, endorsed the bill as follows:

So far as the increased rate of postage is concerned, I would join him (Mr. Summerfield) in everything that he has recommended if he would include in his recommendation a further increase in second-class mail of 70 percent. Instead of the 30 percent, make it 70 percent.

The bill as recommended by the committee contains higher rate increases for second-class mail so that the increases for second-class mail will provide the increase suggested by General Donaldson as a prerequisite to his endorsement of the 4-cent letter mail.

HOUSE AND SENATE APPROPRIATIONS COMMITTEES POINT OUT NEED FOR POSTAL-RATE ADJUSTMENTS

In House Report No. 1743, accompanying the 1957 Treasury-Post Office Department appropriations bill, the House Appropriations Committee voiced its concern over the continuing deficit in the postal service and urged early action on the bill. The report on the appropriation bill states as follows:

The postal deficit having reached the estimated figure of \$470 million, the committee cannot avoid again expressing concern that some action must be taken to get postal rates more appropriate to the costs of the service. Many items previously charged to the postal service, but not properly a part of operating costs (airline subsidies, etc.) have now either been eliminated or transferred to a more proper place in the Federal fiscal structure. There remain in these appropriation items but the costs of handling the mails, and it is obvious that the presently established rates are woefully inadequate to compensate for such necessary expenditures.

The Senate Appropriations Committee, in reporting on the same bill (S. Rept. No. 1624), also urged action on the Postmaster General's recommendations for postal rates as follows:

The committee wishes to endorse and amplify the observations in the report of the House committee with respect to the postal deficit. In the last 55 years postal operations have shown a surplus in 10 years during that period and a deficit in the remaining 45 years. This deficit exceeded the \$100 million mark for the first time in 1921, when it reached \$157,517,688. Following that year it dropped very sharply until 1931 when it again went to \$146,066,190. After 1933 it again dropped very substantially until 1946. From then on the deficit has been of huge dimensions, reaching the sum of \$719,544,091 in the fiscal year which ended on June 30, 1952.

Two principal factors have contributed to this state of affairs. The first is that the Post Office Department has been doing business at an increasing cost level with revenues at the level of 1932. The second factor is the series of wage increases which have aggregated more than a billion dollars in the last few years. It is quite evident that if the Post Office Department is to provide a high level of service to the public it must have adequate and modern facilities and equipment, high morale among the employees, and adequate compensation. Congress has approved the various pay increases, and these, together with the needs of the Department for modernization and new buildings, present the need for additional revenues if the Department is expected to hold down the recurring deficits quite aside from any effort that might be made to develop revenues which are adequate for this program and for the complete elimination of the deficit.

The Postmaster General has summarized his needs in a letter to the President which was transmitted to the Congress. Regardless of any additional economies which might be effected in the operation of the Department, there will still be a need for additional revenues and this committee urges the Committee on Post Office and Civil Service of the Senate and the Members of the Senate to give diligent attention to this problem of increased postal revenues if the Department is to be placed on a sound fiscal basis while carrying out its service responsibilities to the people.

RANKING MEMBERS OF APPROPRIATIONS COMMITTEES STRONGLY
SUPPORT INCREASES

Hon. J. Vaughan Gary, Chairman of the House Appropriations Subcommittee on Treasury and Post Office, testified before the committee and stated that—

Our committee (the Subcommittee on Treasury and Post Office of the House Appropriations Committee) has always felt that the rates should be increased so that the users of the various classes of mail would pay for the services which they are receiving.

We have taken that position no later than this year. We feel, however, that, of course, the methods of determining how that increase should be distributed is a matter purely within the jurisdiction of this committee and we have not attempted to overstep our jurisdiction in that respect.

Hon. John Taber, ranking member of the House Appropriations Committee, appeared before the committee and stated:

I think the deficit is so large that it demands immediate action on the part of the Congress to reduce it.

The Department has recommended a 1-cent increase in letter postage per ounce, a 1-cent increase in the airmail charge per ounce, increases in second-class rates aggregating at least 30 percent, and an increase in third-class mail of approximately 30 percent.

These increases are all set as low as it would be possible to set them and still provide revenue enough so that the Department could come out with adequate revenues.

It seems to me that it is the responsibility of Congress to charge the users and the patrons of the post office enough to meet its obligations from year to year.

I feel that the Congress should meet its responsibility. Postal deficits are one of the reasons why we have such large income taxes on the farmer, on the wage earner, and on the other classes of our people.

Why we should keep larger taxes on these people in order to operate the Post Office Department at a deficit is beyond my understanding.

Hon. Everett M. Dirksen, a former Member of the House and presently a member of the Senate Appropriations Committee subcommittee in charge of Post Office Department appropriations, appeared before the committee and urged that action be taken on postal rate adjustments. He stated in part:

Meanwhile, costs are climbing, and we are confronted with the rather odd and, I think, sometimes fantastic spectacle of doing business on a 1932 rate basis with 1956 costs.

OVERWHELMING ENDORSEMENT

This is indeed an impressive and overwhelming endorsement of this legislation on the part of men of many years of experience—Members of the House and Senate of long standing and present and former officials of the Government whose knowledge of the subject and sincere interest in Government affairs is unchallenged.

FIRST-CLASS MAIL CARRIED AT LOSS

There are those who say that first-class mail presently is showing a profit, pointing to the cost ascertainment figures for fiscal year 1955. They are in error. These figures reflect only a very small part of the \$200 million annual payroll increase resulting from the passage last session of the Postal Field Service Compensation Act of 1955, and from other recent employee benefit legislation, since these increased costs were effective only a part of that year.

In fiscal 1955 the Post Office Department paid \$905 million to provide first-class service. However, even full adjustment for recent employee salary increase and other benefits would not by any means establish full cost to the Government of this service. The total amount of postal costs paid by other Government departments will amount to approximately \$256 million in the current fiscal year.

Currently, first-class mail not only fails to meet its allocated costs but also fails to make any payment whatever for certain additional costs of providing first-class service which are not considered in the cost-ascertainment process. On the basis of recognized pricing procedures, first-class mail could be charged at a rate of 5 or 6 cents and still not be overpriced—that is, taking into consideration the special preference in handling and service given to this class of mail. Every postal service in the world provides preferential treatment for first-class

mail and this is particularly true of the United States Post Office which handles more than 25 billion first-class letters annually on an around-the-clock basis. The big difference is that other countries charge accordingly but the United States no longer does.

A special committee of career postal officials placed the value of preferential service at \$299 million in fiscal 1955. When these costs, which are real costs and must be paid by someone, are included in the cost of providing first-class service, it is apparent that not only does this service fail to meet its regularly allocated costs but actually operates at a deficit of more than \$370 million annually. A rate of 4 cents will not recover this full amount.

It is to be recognized, further, that of all letters moving at the first-class rate, those experiencing the greatest loss are the ones going for 3 cents, that is, those weighing 1 ounce or less. There are more handlings for such letters, in relation to the amount of revenues received, than there are for the heavier pieces of first-class mail. In 1932 the handling expense per piece for first-class mail was 1.9 cents. Today it is approximately 3.5 cents—an increase of over 80 percent.

RECENT SALARY, TRANSPORTATION, AND OTHER INCREASES

Since 1945 the Post Office Department has been faced with rising costs, primarily in payroll and transportation. The following table itemizes the annual rate of increases caused by employee benefits and transportation increases:

Annual rate of increases in cost affecting the Post Office Department budget

Item	Public Law No.	Effective date	Amount
Annual increases in cost:			
Postal (field) salary bill.....	134	July 1, 1945	\$178,767,000
Additional grades (effective subsequent years).....	134		60,700,000
Departmental salary bill.....	106	July 1, 1945	783,000
Postal (field) salary bill.....	381	Jan. 1, 1946	190,631,000
Departmental salary bill.....	390	July 1, 1946	684,000
Rural equipment maintenance.....	467	Apr. 1, 1948	4,100,000
Railway mail service (travel allowance).....	687	June 19, 1948	2,700,000
Postal (departmental and field) salary bill.....	900	July 1, 1948	215,960,000
Rural equipment maintenance.....	381	Nov. 1, 1949	4,600,000
Postal (field) salary bill.....	428do.....	112,489,000
Departmental salary bill.....	500		
Night differential on salary increases.....	429	Nov. 1, 1949	278,600
Additional overtime on salary increases.....			15,171,000
Military detail (subsistence).....			10,900,000
Financial Control Act of 1950.....	552	June 15, 1950	350,000
Departmental salary bill.....	712	Nov. 15, 1950	3,000,000
Postal (field) salary bill.....	201	July 8, 1951	1,100,000
Adjustment of sick and annual leave.....	204	July 1, 1951	248,600,000
Increased cost of airmail transportation authorized by CAB from 1946 through 1953.....	233	Jan. 6, 1952	50,000,000
Increased cost of Railway Mail Pay (ICC Docket 9200, Decisions of Dec. 4, 1947, Dec. 4, 1950, Nov. 13, 1951, Mar. 15, 1954, effective Feb. 19, 1947, Jan. 1, 1951, and Oct. 1, 1953.....			96,000,000
Increase in prices for commodities, contracts, and services between 1944 and 1951.....			218,000,000
Federal Employees Group Life Insurance Act of 1954.....	598	Sept. 1, 1954	73,321,400
Employee uniforms.....	763do.....	6,609,500
Postal Field Service Compensation Act of 1955.....	68	Mar. 1, 1955	13,600,000
Federal Employees Salary Increase Act.....	94	Mar. 13, 1955	180,000,000
Travel Expense Act, 1955.....	189	July 28, 1955	637,000
			622,000
Total increase in cost.....			1,689,606,500

FIRST-CLASS MAIL HAS NOT PAID ITS SHARE OF INCREASED COSTS

It is significant that the \$1,689 million in recently increased cost includes more than a billion and a quarter dollars for employee benefits alone—but the users of first-class letter mail have not been called upon to stand any increase in rates in order to pay their share. Meanwhile, other classes of mail have borne rate increases, some substantial.

Fourth-class mail has been increased by more than 110 percent. Postal cards and drop letters have been increased by 100 percent. Other classes of mail, such a third class, if this legislation is adopted, will have had increases of over 100 percent in certain categories. The advertising portion on magazines and newspapers will have been increased by over 185 percent if this bill is approved, while first class will only be increased by 33½ percent.

COSTS WILL CONTINUE TO RISE

It must be recognized that continued increases in the costs of the Post Office Department are certain. Unquestionably, the railroads will ask for a rate increase for the transportation of mail in the near future. A number of bills already have been introduced in this Congress to provide salary increases of \$600 a year for postal field service employees. A major increase in retirement benefits already has passed the Senate which, if approved, will add approximately \$90 million more to the retirement costs for postal employees—increasing the Department's total annual retirement cost to \$269 million. It will also provide for a direct charge of 7 percent of payroll to the Post Office Department.

There will be a great deal of pressure for action on these bills in the next Congress. Regardless of whether or not these increases materialize, increases in postal costs will keep pace with rising costs in general. Latest statistical information indicates that the upward trend will continue for some time in costs of materials, facilities, supplies and contract services, whether furnished by private industry or other Government departments and agencies.

Congress recently approved the so-called lease-purchase procedure as a means to provide for construction of postal buildings with a minimum outlay. This procedure is intended to encourage private construction of buildings suitable for postal purposes to be utilized by the Post Office Department under lease-purchase agreements. The full value of this legislation cannot be realized unless postal revenues are increased to a point where they are adequate to meet the annual payments under such leases (in the form of rent) without substantially increasing the present burdensome deficit.

There has been only one increase in the rate for first-class mail since 1885. It is clear to anyone familiar with the pressure and the need for an increase in the first-class mail rate that the problem will be with us from here on until the correction proposed by the committee is made.

FOUR-CENT FIRST-CLASS RATE FULLY JUSTIFIED

In addition to the general recommendation on the part of the committee that there should be some increase in first-class mail, there is also the recommendation, appearing in title II of the bill, that first-class mail, because of its priority of service, should pay for the cost of the preferential treatment it receives, over and above its apportioned costs. This conforms to historic policy in this regard.

There is general agreement in the committee, and among the witnesses who have appeared before the committee on this bill, that first-class mail should be increased. Some differences did exist with respect to the amount of increase for first-class and where it should be applied, but this should not obscure the significant fact that there was general support for, and virtually no opposition to, an increase in first-class rates.

First-class mail was increased to 3 cents in 1932 on a temporary basis. This rate was renewed periodically until it would have expired 6 months after the end of the President's declaration of emergency, following the end of World War II.

The 3-cent rate was then made permanent. The legislation passed the House June 23, 1947, by unanimous consent. This shows that general agreement certainly existed in the Congress that the 3-cent rate should not be permitted to revert to a lower rate. At that time revenue from first-class mail was 30 percent more than its apportioned cost.

Since that time, as this report indicates, there has been a tremendous increase in the cost of postal operations, the trend following that of increased costs experienced by business generally and forced along primarily by increases in postal employees' salaries and other benefits. Moreover, the end is not in sight—still further major increases in postal costs are bound to come in the immediate future. Meanwhile, virtually every other class of mail and services has been increased in order to meet a share of this increased cost—that is, except for first-class letter mail.

HISTORIC POLICY

With respect to the premium to be paid for the priority of service, the following table demonstrates that for the most part first-class mail has paid from 20 percent to as much as 64 percent above its directly allocated costs for the preferential service it receives.

Ratio of revenues to expenditures¹ on 1st-class mail, 1926-55

<i>Year</i>	<i>Expense coverage (percent) 1st class</i>
1926	129.8
1927	131.7
1928	132.5
1929	131.0
1930	129.0
1931	121.0
1932	112.2
1933	146.1
1934	158.1
1935	150.1
1936	144.2
1937	151.1
1938	150.2
1939	152.0
1940	154.4
1941	155.2
1942	156.6
1943	(2)
1944	146.1
1945	164.7
1946	131.5
1947	126.4
1948	130.0
1949	112.9
1950	111.9
1951	113.8
1952	105.4
1953	108.8
1954	105.9
Average 1926 through 1941	140.5
1955:	
As shown by cost ascertainment	105.4
As shown by cost ascertainment, with addition to cost of full 1956 effect of pay increases	99.1
As shown by cost ascertainment, plus pay increases and costs paid by other Government departments	91.6
If H. R. 11380 is passed:	
Based on 1955 costs, plus pay increases	129.9
Based on 1955 costs, plus pay increases, and costs paid by other Government departments	120.0

¹ Without regard to reallocation of cost to recognized differentials in service or value of mails.² Not available.

It should be noted that when the premium paid for the priority of service of first-class mail reached less than 15 percent, an additional 1 cent of postage was added. During no part of that period has there been any indication on the part of those using the service that this was an overcharge. It will also be noted that the current rate on first-class mail is not even paying its actual cost of handling without giving any consideration to the preferential treatment it receives.

EMPLOYEE BENEFITS MUST BE PAID FOR

A number of postal rate bills have been recommended by the committee in the intervening Congresses which have not become law. Only two postal rate bills (Public Law 900, 80th Cong., and Public Law 233, 82d Cong.) have been approved, as compared to 22 employee benefit bills.

The Congress has consistently pressed for higher employee benefits than those approved by our committee—yet at the same time, when

it comes to providing the necessary funds out of postal revenues, it has either failed to consider the measures at all or in some manner pared them down.

It was with this thought that the complete hearings have been held and the committee urges the members to take into consideration the points of view of those who participated in the hearings. In this respect, it is pointed out that virtually every witness acknowledged that, in all equity, there must and should be an increase in postal rates to meet the increased costs. Many, of course, had differing views as to how to cause someone other than themselves to pay increased rates.

FIRST-CLASS RATE INCREASE VIRTUALLY UNOPPOSED IN HEARINGS

Opposition to the first-class rate increase was singularly lacking. The committee points out that more than 75 percent of first-class mail is business mail. Those businesses which will be faced with the largest increase in first-class mail postage bills are department stores, banking concerns, insurance companies, and public utilities. All of these are well represented in Washington, yet none of them raised a voice against the first-class postage increase.

On the other hand, many manufacturers who will be affected, each in terms of many thousands of dollars in postal-rate bills a year, recommended this bill. An official representing Sears, Roebuck & Co., whose postage bill will be increased by \$800,000 a year, gave his company's endorsement of this bill.

The president of the Burroughs Adding Machine Co., whose company will receive more than one-half million dollars in postal-rate increases if this bill is adopted, recommended it favorably.

The United States Chamber of Commerce and the National Association of Manufacturers have endorsed this legislation.

4-CENT LETTER STILL A BARGAIN

Leaving aside the question of whether users of first-class mail should continue to evade their share of increased costs, it is well to consider just what the users of first-class mail get for 3 cents, or 4 cents, if this bill is enacted.

The entire postal service is geared to the handling of letter mail. First-class mail, as a matter of law and in conformity with postal regulations, receives preferential handling from the moment of its deposit to the time of its delivery. The average letter is transported 600 miles to its destination. It is forwarded and reforwarded as frequently as may be necessary to effect delivery. When a return address is provided and delivery cannot be effected, first-class mail is returned to the sender without charge. It is sealed against inspection by anyone except the sender and the recipient. This sanctity is so well established that men do not hesitate to trust their most valued and private communications to the custody of first-class mail.

There is constantly available a service whereby a letter can be posted or delivered at the end of a wooded trail or in the heart of a congested metropolis. Hundreds of thousands of collection boxes are provided almost exclusively for the deposit of first-class mail. The collection of mail from these numerous depositories on closely scheduled trips and at critical hours of the day represents one of the primary privileges accorded first-class mail.

First-class mail is always handled first in post offices in order to meet transportation schedules which will speed it to delivery. To maintain the excellent service letter mail receives, thousands of employees are used at higher night differentials of pay. This is obviously costly, but it is essential for the preferential treatment to which this mail is entitled and which it receives—but no longer pays for at the 3-cent rate.

For the sum of 3 cents the person gets the letter picked up at his corner mailbox, transferred through a very complicated sorting system by experienced, hard-working, and adept postal clerks, and the letter is promptly delivered by the letter carrier to the home of the addressee—all of this for less than a nickel. Even in the case of a letter that is to go across the street, at 4 cents it will still be cheaper to send it through the United States mail than to take it yourself. The average postal employee earns about 4 cents a minute. It would take anyone several minutes just to carry a letter from a store on one side of the street to a store on the other side of the street, and one traffic signal would run the cost up several times the first-class letter charge.

SECOND-CLASS DEFICIT RISES

The committee recommendations on second-class mail are substantially higher than those recommended by the Postmaster General. The committee points out that, although the rates on magazines and newspapers were increased by 30 percent in 1951, in 3 annual 10-percent increments, this 30-percent increase did not even keep second-class mail abreast of rising costs. When this increase was approved, second-class mail costs exceeded revenues by \$190,598,343 (fiscal year 1951). In 1955 the excess was \$232,971,349. It will be higher still when the full effect of the recent pay increase is added.

The two 15-percent increases recommended by the Post Office Department amount dollarwise, when both have been applied, to \$17 million a year in increased revenue. This \$17 million in increased revenue does not even pay the additional cost of the postal salary increase last year. The apportioned cost of that salary increase to second-class mail was \$21 million, or nearly 25 percent more than the second-class rate increase proposed by the Post Office Department.

The committee further points out that the revenue of second-class mail does not even equal the full cost of transporting these publications.

SECOND-CLASS INCREASES LONG OVERDUE

Congress has for a number of years been aware of the need for an increase in rates on second-class mail and many studies have been conducted with respect to this problem. All of them have come out with about the same answer—that there should be an increase in second-class mail rates. The only thing that has been accomplished by these studies has been the delay in taking action on this problem. Meanwhile, of course, the loss in revenue to the postal service and the charge levied against the taxpayers have gone on.

SUBSIDY TO EDUCATION OR TO PUBLISHERS?

This charge has reached an astronomical sum in the last 10 years, approximately \$2 billion. When weighed against this accumulated

deficit, the 30-percent increase, or about \$15 million in increased revenue, that was brought about by the rate increase in 1951 looks small indeed.

The educational value of second-class mail has been urged in support of the present second-class mail subsidies. The committee hearings brought out that second-class publications moving under the present subsidized rates include items such as *The Daily Worker*, *Ballyhoo Magazine*, *Big Detective Cases*, *Bugs Bunny*, *Front Page Detective*, *Glamour*, *Howdy Doody*, *Little Iodine*, *Modern Romances*, *Pogo*, *Tom and Jerry*, *True Love Stories*, and many similar publications. The educational value of such publications was questioned, and no witness was able to show that it even exists.

If Congress really is considering subsidies for educational purposes, it should weigh the value of translating the present second-class mail subsidy into terms of more and better schools and higher salaries for teachers. The \$2 billion aggregate second-class subsidy mentioned above is substantially more than the total amount recommended by the House Committee on Education and Labor for new school construction over a 4-year period.

MANY PUBLISHERS FAVOR RATE INCREASES

Many publishers are keenly aware of this problem and have taken the position that second-class mail should make a much more substantial contribution to its cost. At long last, these publishers are coming forward and publicly stating that second-class mail rates should be increased. A number of them, in fact, came before the committee and testified that there should be increases in the second-class rates.

For example, Michael A. Gorman, editor of the *Flint Journal* and director of the American Society of Newspaper Editors, testified that

Those who oppose equitable postal rates are trying to make a case for the little man who isn't there.

He presented the results of a study made by the University of Michigan, questioning the man on the street on postal-rate increases. This study showed that 72 percent favored postal rate increases in first-class mail. Only 21 percent favored having any loss made up from the general tax fund. In favor of increasing postal rates on second-class mail were 89.2 percent, and in the case of third-class mail 93 percent.

FURTHER ECONOMIES NOT THE ANSWER

In the past some editors and publishers having a large stake in second-class rates far below cost have clouded the issue by stating the deficit could be made up by economies in the postal service. It is the opinion of the committee that while many economies have been brought about, it is completely impossible to eliminate the postal deficit by further economies in the postal service. This position has been taken by the committee in official reports covering the past 10 years.

The committee points out that 75 percent of the total cost of running the postal service represents payroll costs. This cost is in the

nature of a fixed charge, the amount of which to a large extent is controlled by the Congress through salary legislation for postal employees. Last year, for example, Public Law 68 granted pay increases averaging over 8 percent—adding \$165 million to the fixed annual costs of the Post Office Department, or 35 percent of the estimated deficit for the current fiscal year.

Mr. Gorman met this issue in his testimony, stating:

Steps taken in recent years have reduced to practically the minimum those expenses within the control of the Department.

The Deputy Postmaster General, in testifying before the committee on this point, stated:

Some witnesses have suggested that perhaps the postal deficit can be eliminated completely by increasing efficiency. This is the panacea which has been offered as an alternative to rate increases as far back as the record takes us. Unfortunately, it will not effect a cure for our \$470 million deficit.

We believe we have made excellent progress in improving efficiency. This is indicated by the fact that in fiscal 1956 we expect to move about 12 percent more mail than in 1953, with fewer man-hours of work (except for an abnormal increase in city carriers for the purpose of improving service in spreading cities and suburbs). We will also have saved about 12½ percent in transportation costs in 3 years' time.

But advocates of economy should remember that future savings will be difficult to make without impairing service, particularly in view of the ever-increasing volume of mail. We will still produce annual economies, but they will never make a sizable dent in the present deficit, and the savings we can make ought to go into planned expenditures to improve our facilities and working conditions. It is wishful thinking of the most imaginative kind, believe me, that a deficit of \$470 million can be eliminated simply by making a lot of small economies. And it is unrealistic and unfair to expect that we can balance our books by relentlessly driving or forcing our employees to work harder and produce more.

PUBLISHING INDUSTRY CAN MEET RATE INCREASES

The rate increases proposed will not harm the publishing industry. Mr. James H. S. Ellis, president of the Kudner Advertising Agency, testified that the increase proposed by the Department could be absorbed easily by increases in the advertising rates charged to business advertisers in these publications. He presented a tabulation of 20 of the largest magazines, comparing their advertising revenue. All but one of the magazines had increased their advertising cost per page. All but one had increased their circulation. The total advertising revenue had increased from \$294 million in 1947 to \$420 million in 1955. He pointed out that if advertising in magazines bore the total increased postal cost of \$2,180,000 for one large publishing company, it would involve a rate increase of less than 3 percent, and that if advertising bore the second-class increase only it would take less than 2 percent.

Mr. Ellis also pointed out one additional important fact and that is that since the second-class rate increases apply primarily to the advertising portion, the publishers will pass this cost on to the advertiser. Since this advertising cost is only a small portion of the cost of the company doing the advertising, it does indeed have an insignificant overall effect. In this respect he made the following statement:

Advertising expenditures are only a small percent of the cost of doing business. * * * percentage of sales spent for advertising in 1954 by 100 top industrial corporations * * * range from a fraction of 1 percent to about 7 percent. If you take 3 percent of 7 percent, it is about one-fifth of 1 percent, which is not an alarming increase.

THIRD-CLASS RATE INCREASES SUPPORTED

In the consideration by the committee of third-class mail increases, there was little if any opposition to any of the provisions of the bill except concern expressed by large mailers who use the minimum bulk rate—presently 1½ cents per piece—which the committee recommends be raised to 2 cents. This type of mail is the large volume of mail that is broadcast throughout the country. It is the mail referred to by some as “junk” mail, because only a small percentage of it is important to or desired by the recipients.

PUBLIC DEMANDS ACTION ON THIRD-CLASS RATES

The committee has received many letters from the general public, complaining about the fact that this type of mail takes up post-office-box space which the patron has rented to receive his first-class mail and recommending rate increases to make it pay a fair share of its cost.

The Honorable Burr Harrison appeared before the committee and strongly urged that this class of mail pay the first-class rate. He directed the committee's attention to a bill he has introduced which would bring this about, H. R. 8801.

MAILERS PASS INCREASES ON TO ADVERTISERS

Some of the largest third-class mailers are merely processors of advertising material. They send out millions of samples for the breakfast food companies, for example, and millions upon millions of circulars. The postage for these items is, of course, a charge against the company for whom the advertising or samples are sent. While the postage may represent a substantial portion of the business expense of the organization handling the mailings, it is infinitesimal when compared to the business expense of the man who is really paying it—that is, the company for whom the samples or advertising matter are being sent.

The minimum rate on third-class mail was increased by one-half cent by Public Law 233, 82d Congress. Despite this increase these mailings continue to gain in volume at the phenomenal rate of almost a billion pieces a year.

POSTAL DEFICIT

Funds to cover expenditures of the Post Office Department, like those of all other Government agencies, must be appropriated by the Congress. When revenues of the postal service are insufficient to cover the expenditures, funds are withdrawn from the Treasury. These funds, which are secured from general taxation or deficit financing, represent the postal deficit.

There have been changes in post-office policy, practices, and procedures which have brought about substantial savings in the operations of the postal service. There has also been a more realistic adjustment in costs within the postal service whereby the Department is reimbursed by the Government departments and agencies and by Congress for the mail handled for the respective departments and the Congress. Also, by Executive order and through Reorganization Plan No. 10, 83d Congress, the subsidy for our domestic airlines is now charged to the Civil Aeronautics Board. These 2 adjustments represent a reduction in the estimated deficit of approximately \$115 million. In 1953 there was also a substantial increase in parcel-post rates amounting to \$146,600,000 annually which is discussed separately in this report.

In order to reduce the actual deficit to present estimates (\$470 million for fiscal 1956), strong efforts have been made by the Postmaster General with the cooperation of the committees of Congress. Any further savings that might be effected or adjustments in charges by the Post Office Department to other Government agencies could have no material effect on this substantial deficit, which must be met by rate increases.

Opponents of this legislation have resurrected the old argument that the Post Office Department need not be concerned about the deficit solely because other departments of the Government do not earn revenues comparable to their expenditures. This obviously is an untenable position. The postal service occupies an extraordinary position in our Government and our economy. It was established and has been maintained to render a service in return for payment of charges which, from the very beginning, Congress has required to represent reasonable payment by individuals for services received.

The committee points out that in those departments and agencies where the public services are paid for from tax funds and not charged to individuals, the services provided cut squarely across large segments of our economy and treat those affected all alike.

The postal service, on the other hand, does not affect everyone the same but affects each one in direct proportion to the amount of its services he uses. For example, the average individual family is considered to send about 15 letters a month. Their benefit from a large postal deficit will be relatively small, yet they may be one of those families that pay a substantial amount of taxes which goes to make up the deficit. On the other hand, large business concerns that pay several million dollars a year in postage obtain a direct proportional benefit, not only in services received, but in the application to them of a subsidy to the extent that their particular mail is carried at a loss.

Oddly enough, it is these large business concerns who have appeared and urged that they should pay a proper charge for the service they receive from the Post Office Department. Many times such concerns,

through their business policy, use the postal service as an alternative service for which other businesses employ their own personnel. For example, one big insurance company sells insurance through the mail, paying better than a million and a half dollars a year in postage. This is really their payroll costs for insurance agents.

Why, then, should not those companies expect to meet an increase in cost comparable to that of the company that is hiring its agents directly? This, it seems to the committee, is the significant difference. This demonstrates why the Post Office Department's services cannot be considered to be Government services available to all on an equal basis like those of other Government departments.

It is pointed out, for example, that the deficit of the Post Office Department this year is more than twice the cost of operating the entire Department of Justice. The deficit this year would send, even at the proposed rates, 400 letters for each family, or nearly twice the present average number of letters sent by each family. This is because it is large business concerns who send the mail of all classes. It is the large business users who are piling up the deficit. They are the ones who will, in the final analysis, be called upon to pay the postal-rate increase and who have indicated individually and by their organizations their willingness to pay the increased costs.

No other department of the Government is in a similar position with respect to the services it renders. In those instances in which Congress has decided, as a matter of policy, that some other Government activity shall be reimbursed for its services in comparison to their value—such as in the case of certain Government corporations operating along the lines of business enterprise—Congress has set this policy in no uncertain terms. The absence of any such policy for the other departments clearly removes them from any position of comparison with the Post Office Department so far as concerns any relationship between revenues and expenses.

COST ASCERTAINMENT

Much of the data supplied to the committee relative to revenues and expenditures for the postal service is based upon the cost-ascertainment system of the Post Office Department. This system was authorized by the act of February 25, 1925 (39 U. S. C., sec. 826), and was placed in operation on an annual basis in the fiscal year 1926. It has been expanded and improved from time to time in line with experience and to reflect changing conditions in the postal service. In periodic and exhaustive independent scrutiny and analysis by professional accounting and statistical organizations through the years the application of the basic cost-ascertainment concepts and techniques has been sustained and the substantial accuracy of the figures established. The statement on postal policy which is contained in title II adopts these procedures as adequately allocating revenues and expenses.

Cost-ascertainment data formed the major part of the presentation made by the Post Office Department in support of the Postmaster General's petitions for increases in fourth-class postage rates submitted to the Interstate Commerce Commission in 1950 and 1953, in accordance with the directive of Congress set forth in Public Law 843, 81st Congress. After intensive study of the cost-ascertainment methods

and procedures underlying the case for the Department, and investigation by transportation and cost experts representing both the protestants and the technical staff of the Interstate Commerce Commission, the Commission accepted the cost figures and approved the rate proposals made by the Postmaster General.

The cost-ascertainment system of the Post Office Department is designed to accomplish two things:

- (1) It allocates the aggregate of expenses of operating the postal establishment over the various classes of services rendered;
- (2) It classifies the revenues of the postal system according to the same categories of service rendered.

The cost-ascertainment system allocates actually incurred expenses over all of the classes of services rendered. The starting point is, therefore, factual and based on accounting records. The apportionment of these incurred costs is necessarily founded on ratios established by statistical sampling and other research at regular intervals, to give effect to such factors of cost as are variable with (a) number of pieces, (b) weight, (c) distance, and other measures. The statistical information used and the judgments exercised in cost ascertainment appear to be reasonable, and the methods actually were not seriously challenged at the hearings.

Cost ascertainment data presented by the Post Office Department to the committee was based on an official report for fiscal 1955. However, it was made clear that conclusions could not be drawn from such data without recognition of certain important costs and factors not reflected by the figures alone. These are:

- (1) The salary increases, uniform allowances, and other benefits granted postal field service employees by recent legislation total approximately \$200 million annually. Only a small part (about 25 percent) was applicable to 1955 and is reflected in that year, but the entire amount is currently in effect.

- (2) Certain expenses paid by other departments or agencies of the Government are not included in cost-ascertainment figures. Being tied to budgetary accounting, the records of the Post Office Department are essentially on a cash basis. They do not reflect any charge for the depreciation or obsolescence on the post-office buildings which is estimated at \$40 million annually, certain custodial costs and alterations and repairs to post-office buildings paid by the General Services Administration, amounting to about \$18.7 million for the current fiscal year, the Government's liability for contribution to the retirement fund for postal employees, amounting to \$179 million for the current fiscal year, workmen's compensation, \$3.6 million for the current fiscal year, and other miscellaneous services paid by other departments and agencies. These items, which will amount to about \$256 million for the current fiscal year, in a business venture would definitely be included as costs. To this extent the postal costs are understated. However, since they are included in the budgets of other departments and agencies and are not charged to the Post Office Department as expenses, they are not properly part of the cost-ascertainment system.

- (3) Insofar as the individual classes of mail are concerned, there are many intangible factors, not subject to accounting determinations, such as—

(a) The additional manpower and facilities related to priority, security, speed of transmission, and other preference that may be given to any one class of mail or service over another,

(b) The relative values of the various postal services to the public, and

(c) The relative intrinsic values of the items handled.

It can be seen that the gearing of the postal service to the handling of first-class mail cannot be measured specifically in the allocation of costs solely in relation to the use of postal personnel and facilities. For this reason these factors are not properly part of a cost-accounting system, but are pertinent for rate purposes.

The Post Office Department presented detailed data relating to the recent cost increases and the postal costs paid by other Government departments, as well as estimates of the cost reallocations necessary to reorganize the intangible rate-making factors described.

In view of these facts, the committee emphasizes that the reported 1955 cost ascertainment figures were used only as a guide and could not be the sole criteria for the establishment of postage rates.

POSTAL RATE POLICY

Title II relates to the establishment of a policy for postal rates by Congress. It provides for recommendations to be made by the Postmaster General with respect to the postal rate structure in conformity with certain principles. This policy declaration was adopted by the committee to provide a formalized statement of the basic principles recognized by Congress in the adjustment of the postal rate structure. See page 31 for a full discussion of this policy.

RATES IN BILL RELATED TO POLICY

The postal rates recommended in title I of this bill represent the proper relationship between the revenues and costs of the various classes of mail and service, in conformity with the declaration of policy in title II of the bill.

CONGRESS ALWAYS HAS SET POSTAL RATE POLICY

Whenever postal rates have been considered in the past, the question of a formal expression of policy has always been raised.

The committee points out, however, that in the last Congress much was made of the need to weigh the findings made by a special congressional committee in matters of postal rate policy. If the results of that committee study were followed literally, the rates on first-class mail well could be 5 or 6 cents.

It is the view of many members of the House Post Office and Civil Service Committee and students of postal rate problems that there always has been a postal policy. This policy is developed when rates are set. The rates set by this bill present a pattern of postal policy and are in line with the postal policy that has existed through the years.

In the hearings former Postmaster General Farley, who served as Postmaster General about as long as anyone who has held that office in modern times, when questioned as to whether Congress should not

take a look at the postal-rate structure policy-wise, replied, "Does not the Congress do that every year and have they not been taking a look every time this postal bill comes up here?"

The committee points out that there is a well-established postal policy, one that is being changed and modified as conditions warrant. Presently, this policy calls for continuation of the free-in-county privilege whereby certain publications are delivered without any postal charge whatever to patrons served by nonletter carrier offices (city).

We have a lower rate of postage for publications of religious, educational, agricultural, and other nonprofit organizations. We have a flat rate for books which is intended to equalize the cost of such reading matter throughout the country despite the fact that books are published in only a few publishing centers of the country. Newspapers and magazines delivered within county of publication have a much lower rate than other newspapers and magazines.

We have lower rates for bulk mailings of third-class partly based upon the processing accomplished by the mailers themselves. Second- and third-class rates have always been set at somewhat less than the apportioned cost as shown by the cost-ascertainment system, and, except for the present situation, our first-class rates have always been set from 12 to 64 percent above the apportioned cost. The statement of policy appearing in title II, it is noted, formalizes and spells out these historic policies.

SUMMARY OF PRESENT AND PROPOSED RATES

The following chart is a summary showing the classes of mail affected by the rate increases proposed in H. R. 11380, the present rates, the rates recommended by the committee, the additional revenue, and the percent increase in each class of mail:

Summation of rate bill

Mail classification	Present rate (cents)	Proposed rate (cents)					Additional revenue (millions of dollars)
First-class letter, per ounce.....	3.0	4.0					295.7
Domestic air mail letters, per ounce.....	6.0	7.0					16.4
		1st	2d	3d	4th	5th	
Second class:							
Publishers' outside county:							
(a) Reading portion.....pounds.....	1.95	2.1	2.2	2.3	2.4	2.5	5.5
(b) Advertising portion.....do.....							
1st and 2d zones.....do.....	1.95	2.4	2.9	3.4	3.8	4.3	
3d zone.....do.....	2.6	3.2	3.8	4.4	5.0	5.6	
4th zone.....do.....	3.9	4.8	5.8	6.7	7.6	8.6	
5th zone.....do.....	5.2	6.4	7.7	9.0	10.2	11.5	38.0
6th zone.....do.....	6.5	8.0	9.6	11.2	12.8	14.4	
7th zone.....do.....	7.8	9.7	11.5	13.4	15.2	17.0	
8th zone.....do.....	9.1	11.2	13.4	15.6	17.8	20.0	
(c) Minimum copy.....	1/8	1/4					1.0
Transient:							
1st 2 ounces.....	2.0	2.0					.8
Additional 2 ounces.....	1.0	1.5					.8
							45.3
Third class:							
A. Piece:							
(a) Circulars, merchandise, and miscellaneous:							
1st 2 ounces.....	2.0	3.0					
Additional ounces.....	1.0	1.5					35.8
(b) Books and catalogs:							
1st 2 ounces.....	2.0	3.0					
Additional 2 ounces.....	1.5						
Additional ounces.....		1.0					.8
B. Bulk:							
(a) Circulars, merchandise, and miscellaneous:							
Pounds.....	14.0	16.0					1.9
Pieces minimum.....	1.5	2.0					32.6
(b) Books and catalogs:							
Pounds.....	10.0	12.0					2.3
Pieces minimum.....	1.5	2.0					1.7
Additional ounces.....	3.0	5.0					(1)
C. Odd sizes and forms, piece.....							1.9
D. Annual bulk mailing fee.....	\$10.00	\$20.00					
							77.0
Subtotal.....							434.4
Fourth class:							
Books:							
1st pound.....	8.0	10.0					1.6
Additional pounds.....	4.0	4.0					1 (5.6)
							(4.0)
Controlled circulation periodicals (over 8 ounces): per pound.....	11.0	10.0					(0.3)
Total.....							430.1

¹ Additional revenues of less than \$1 million are included in Bulk Mail estimates.

² Losses in book rate and library rate due to inclusion of additional materials which now pay higher rates

EXPLANATION OF RATE PROVISIONS IN TITLE I OF THE BILL

FIRST-CLASS MAIL

First-class mail includes all material wholly or partly in writing, whether sealed or unsealed, except manuscript copy accompanying proofsheets or corrected proofsheets of the same and the writing authorized by law to be placed upon matter of other classes. Matter sealed or otherwise closed against inspection is also of the first class.

Under the reported bill, letter mail rates are increased 1 cent an ounce with the exception of drop letters. Present rates and proposed rates are shown below:

Table showing present rates for 1st-class mail and proposed change

	Present	Proposed
Letters and sealed parcels:		
Nonlocal.....	3 cents per ounce or fraction.....	4 cents per ounce or fraction.
Local.....	do.....	Do.
"Drop" letters (at offices not having letter-carrier service).	2 cents.....	No change.
Post and postal cards.....	do.....	Do.

Rates on first-class local and nonlocal mail are the same as they were in 1932. In 1933 the rate for local letters was reduced to 2 cents and continued until 1944 when it was again temporarily increased to 3 cents. The nonlocal letter rate of 3 cents established in 1932 was a temporary one and continued on this basis until made permanent by Public Law 144, 80th Congress, in 1947. The same law also made permanent the 3-cent local rate.

First-class letter mail, which is the prime service of the Post Office Department, is also the only postal service for which rates have remained unchanged in the postwar era of rapidly increasing costs. Recently enacted pay and fringe benefit legislation alone has added an additional \$75 million to the costs of handling this class of mail.

As a result of constant rates, and rising costs, first-class revenues no longer cover expenditures, leaving nothing to cover the value of preferential handling and expedited treatment this mail receives. As a reflection of the historic policy, reaffirmed by the committee and contained in this bill, that revenues from first-class mail should cover not only the allocated costs of the service but also "an additional amount representing the fair value of all extraordinary and preferential services, facilities, and factors relating thereto," an adjustment in letter rates is considered essential.

Congress has always heretofore provided a substantial margin of revenues over expenses in first-class mail to reflect the preferential treatment accorded the Post Office Department's prime postal service. In 1926, when the letter rate was 2 cents, first-class mail on the average produced revenues 30 percent above costs. In 1932 lower volume in the depression had reduced the margin to 12 percent. The 3-cent rate was then enacted in fiscal year 1933 which increased the margin over costs to about 50 percent. This margin prevailed until the end of World War II. Since 1945, however, it has decreased rapidly as a result of increased costs. In fiscal year 1955 (adjusted to include the full annual costs of recent pay and fringe benefit legislation) first-class

revenues fell below expenditures for the first time since cost records became available. The increase of 1 cent per ounce on letter mails should produce additional revenues of \$295.7 million.

With respect to any proposal for an increase of 3½ cents instead of 4 cents, it is clear that would place an undue burden on and be discrimination against the individual who desired to purchase only 1 stamp to mail a single letter. He would have to buy an additional stamp or lose the one-half cent. Anyone knows that there is nothing more difficult to preserve for future use than a single postage stamp. This would mean that the individual user of stamps would be paying 4 cents while the business user, who appears to be willing to pay the 4 cents, would be the one to benefit because he purchases the stamps in larger quantities. It would not help the individual purchaser at all and about \$150 million in revenue would be lost to the Department when compared to the proposed 4-cent rate.

Consideration was given to retaining the present local rate at 3 cents and increasing only the nonlocal letter rate to 4 cents. Study conclusively demonstrated that such a differential would be costly, discriminating, and extremely difficult to administer. The term "local" mail is difficult to define and both in terms of area covered and population served varies from community to community. The boundaries of "local" mail seldom coincide with those of a community. In New York only 2 of the 5 boroughs could be reached at a "local" rate, while in Boston "local" includes the entire city, as well as nearby cities of Newton, Chelsea, Medford, and Cambridge. A "local" rate also discriminates in favor of the large cities. The smaller the community the less significant is the local rate. In many areas highway units serving wide areas are replacing local post offices and a "local" mailing would be almost impossible to define. An increase in "postage due" mail would follow with resulting public annoyance and confusion to the public and increased costs to the Post Office Department.

An increase in letter rates will not be burdensome to the individual. Research by the Post Office Department indicates that 75 percent of all letter mail originates from business and 25 percent from individuals. These are approximately the same percentages reported by the National Industrial Conference Board in its report of December 31, 1953. The additional cost to the average family will be only between 10 and 15 cents a month with the main incidence falling on heavy business users of the mails—none of whom opposed the 4-cent rate in the hearings.

There are no increases in the bill for postal cards and drop letters, which were increased 100 percent, from 1 to 2 cents, on January 1, 1952.

DOMESTIC AIRMAIL

Domestic airmail includes matter weighing 8 ounces or less which is given preferential handling, including transportation by air. In fiscal 1955, the Post Office Department handled 1.4 billion pieces, weighing 48 million pounds, and received revenues from this service of \$99.3 million.

Like other first-class mail, airmail prepaid at the rates prescribed receives special handling and priority of dispatch from the moment it is received to the time of delivery. When an airmail stamp is

put on a letter, it automatically serves to set into motion the most expeditious handling known to the Post Office. For this reason airmail rates have always been higher than those for ordinary letters. The public recognizes the value of the preferential service airmail receives. This is apparent in the rate of growth of the service. Since 1946, airmail volume has increased more than 100 percent despite the differential in rates between air and surface letter mail.

At present there exists a 3-cents-per-ounce differential between ordinary letter mail and airmail. This differential is considered by the committee to be a proper one and has been retained in the provisions of the bill.

Even at 7 cents per ounce the rate will still be below that which prevailed a decade ago. From March 26, 1944, to October 1, 1946, airmail letters were carried at 8 cents an ounce. In 1946, Public Law 730, 79th Congress, reduced the rate to 5 cents. Public Law 900, 80th Congress, increased the rate from 5 to 6 cents where it has remained to the present time.

The recommendation of the Postmaster General that the rate on airmail letters be increased from 6 to 7 cents an ounce is concurred in by the committee and is contained in the bill. This will increase postal revenues by \$16,400,000.

SECOND-CLASS MAIL

Publishers' second-class mail

Second-class mail comprises periodical publications, newspapers, and magazines, mailed by publishers and news agents.

Since 1945 costs of handling second-class mail have exceeded revenues by more than \$2.1 billion. In fiscal 1955 expenditures were \$293.6 million, revenues were \$59.8 million, leaving an excess of costs amounting to \$233.8 million. The volume of this mail has grown to the point that in fiscal 1955 more than 6.7 billion pieces were handled, or 12.1 percent of total pieces handled by the Department, with a weight of 2.6 billion pounds, or 23.6 percent of the total. Revenues, on the other hand, were only 2.5 percent of total Departmental receipts.

The following chart shows the present rates and those proposed by the bill, as reported:

Second-class mail

WITHIN COUNTY OF PUBLICATION

	Present rate	Proposed by committee
Local delivery:		
Non-letter-carrier office.....	Free.....	Free.
Letter-carrier office:		
Weekly publications.....	1 cent per pound.....	No change.
Publications issued more frequently than weekly, by city carrier.	1 cent per copy.....	Do.
Publications issued less frequently than weekly, by city carrier.	1 cent per copy, not over 2 ounces; 2 cents per copy, over 2 ounces.	Do.
For delivery by other than city carrier.....	1 cent per pound.....	Do.
Other than local delivery within county:		
For delivery at offices not having city carriers.....	Free.....	Free.
For delivery at offices having city carriers.....	1 cent per pound.....	No change.

Second-class mail—Continued
OUTSIDE COUNTY OF PUBLICATION

[Cents per pound]

	Present rate	5 annual increases proposed by committee				
		1st	2d	3d	4th	5th
Reading portion (also advertising portion not exceeding 5 percent of total space)....	1.95	2.1	2.2	2.3	2.4	2.5
Advertising portion:						
1st and 2d zones.....	1.95	2.4	2.9	3.4	3.8	4.3
3d zone.....	2.6	3.2	3.8	4.4	5.0	5.6
4th zone.....	3.9	4.8	5.8	6.7	7.6	8.6
5th zone.....	5.2	6.4	7.7	9.0	10.2	11.5
6th zone.....	6.5	8.0	9.6	11.2	12.8	14.4
7th zone.....	7.8	9.7	11.5	13.4	15.2	17.0
8th zone.....	9.1	11.2	13.4	15.6	17.8	20.0
Publications of nonprofit religious, educa- tional, scientific, philanthropic, agri- cultural, veteran, labor, or fraternal organizations or associations.....	1.5	(¹)	(¹)	(¹)	(¹)	(¹)

¹ No change.

Present rates are subject to a minimum postage per piece of one-eighth cent; proposed rates are subject to a minimum of one-fourth cent per piece on publications outside county of publication, except that the present one-eighth cent minimum per piece remains on publications of nonprofit organizations or associations listed above.

Under the reported bill, there will be no rate increases on the mailing of publications addressed for delivery within the county of publication or on publications maintained by and in the interest of nonprofit religious, educational, scientific, philanthropic, agricultural, labor, veterans', or fraternal organizations.

Annual additional revenues from second-class rate adjustments on publishers' mail will be \$44.5 million after the last step increase—an average 78 percent over present rates. Of this amount \$38 million will be from advertising matter, \$5.5 million from reading matter, and \$1 million from the adjustment in the per copy minimum rate. In terms of percentages the reading matter rate is increased 30 percent and the advertising matter rates are increased 120 percent over a 5-year period.

The Postmaster General recommended two 15-percent increases for both reading and advertising matter which would have produced additional revenues of only \$17 million after the second adjustment. This proposal would have produced \$4 million less than the additional costs of \$21 million allocated to second class from recent pay and fringe benefit legislation. The committee believed that the Post Office Department's recommendation—which did not produce sufficient revenue to even cover recent cost increases—was inadequate.

The bill as reported will be a major step in reducing the large gap between second-class expenditures and revenues. The rate adjustments are spread over a 5-year period to allow the publishing industry to absorb the increased costs of postage. Revenues will approximate only 35 percent of costs after the last step increase, still leaving a substantial discount for the deferment of service publishers' mail receives and for the public welfare value of disseminating written intelligence to the American public.

Transient second-class mail

Transient second-class mail consists of publications entered as second-class matter when sent by others than the publishers or news agents. The recommendations of the Postmaster General with respect to rate adjustments for this class of mail were approved by the committee.

The present rate is 2 cents for the first 2 ounces and 1 cent for each additional 2 ounces. The proposal is to increase the rate for each additional 2 ounces from 1 cent to 1.5 cents with the 2-cent rate for the first 2-ounce weight unit remaining the same. This adjustment would produce additional revenues of approximately \$800,000 and would place this service on what would be essentially a break-even basis.

Controlled circulation

Section 105 of the bill relates to the rates for controlled circulation publications. The rates for these publications are set at the rate of 10 cents a pound with a minimum charge of 1 cent per piece regardless of the weight of individual copies.

The reported bill, recognizing the problem of publishers of controlled circulation publications—whereby some issues of the same publication weigh less than 8 ounces, and are thus third-class mail, and some weigh more than 8 ounces and are thus fourth-class mail—provides that the rates for controlled circulation publications weighing more than 8 ounces shall not be subject to increase by the Postmaster General with the concurrence of the Interstate Commerce Commission.

The Post Office Department has informed the committee that this will contribute to uniformity in the handling of the controlled circulation publication mailings. These publications are presently paying about three times the rate of identical technical journals sent under second-class rates.

THIRD-CLASS MAIL

Third-class mail includes miscellaneous printed matter, books, catalogs, merchandise, seeds, cuttings, bulbs, roots, scions, and plants. The limit of weight in this class is 8 ounces. A very large part of the third-class mail consists of circulars. The volume, revenue, and expenses in 1955 were:

Pounds.....	892, 015, 329
Pieces.....	15, 049, 722, 044
Expense.....	\$441, 514, 212
Revenue.....	\$264, 590, 708
Excess of expenditures.....	\$176, 923, 504

The committee recommendations provide increases as indicated by the following chart:

	Present rate	Proposed rate under H. R. 9228 as reported
Piece rate:		
Circulars, miscellaneous printed matter, and merchandise.	2 cents initial 2 ounces plus 1 cent each additional ounce or fraction.	3 cents initial 2 ounces plus 1½ cents each additional ounce or fraction.
Books and catalogs of 24 pages or more, seeds, cuttings, bulbs, etc.	2 cents initial 2 ounces plus 1½ cents each additional 2 ounces or fraction.	3 cents initial 2 ounces plus 1 cent each additional ounce or fraction.
Bulk rate:		
Circulars, miscellaneous printed matter, and merchandise.	14 cents per pound, minimum per piece, 1½ cents.	16 cents per pound, minimum per piece, 2 cents.
Books, catalogs, seeds, cuttings, bulbs, etc.	10 cents per pound, minimum per piece, 1½ cents.	12 cents per pound, minimum per piece 2 cents.
Annual fee, bulk rate privilege	\$10 per calendar year	\$20 per calendar year.
Pieces of odd size or form	3 cents per piece minimum	5 cents per piece minimum.
Mailings of nonprofit religious, educational, scientific, philanthropic, agricultural, veterans', labor, or fraternal organizations or associations.	1 cent minimum	No increase.

The rates on individually mailed circulars are increased from the present rate of 2 cents for the first 2 ounces and 1 cent for each additional ounce or fraction thereof, to 3 cents for the first 2 ounces and 1½ cents for each additional ounce or fraction thereof. Rates on individually mailed books and catalogs of 24 pages or more, seeds, cuttings, bulbs, roots, scions, and plants not exceeding 8 ounces in weight, are increased from 2 cents for the first 2 ounces and 1½ cents for each additional 2 ounces to 3 cents for the first 2 ounces and 1 cent for each additional ounce or fraction thereof.

It is estimated that these increases in the rates for individual mailings of third-class mail, based upon 1955 volume, will return increased revenue to the Post Office Department in the amount of \$36.6 million.

By existing law, under such regulations as the Postmaster General may prescribe, special bulk mailing rates are provided for mailings of 20 pounds or 200 identical pieces or more of third-class matter. The fee for a permit to send such mail is presently \$10 a year. The committee concurs in the Postmaster General's recommendation that this fee be increased to \$20 a year. It is estimated that this will produce additional revenues of \$1,900,000 annually.

The rates adopted by the committee for bulk mailing of circulars, merchandise, and miscellaneous matter are 16 cents a pound compared to the present rate of 14 cents a pound, and the minimum rate per piece is advanced from 1½ cents to 2 cents. The bulk rate for third-class books and catalogs is increased from 10 cents per pound to 12 cents and the minimum per piece from 1½ cents to 2 cents.

The minimum piece rate on items of odd size or shape is advanced from 3 cents to 5 cents.

There are no rate increases on the third-class mailings of nonprofit religious, educational, scientific, philanthropic, agricultural, veterans', labor, or fraternal organizations or associations.

BOOKS

The bill increases from 8 cents to 10 cents the postage rate on the first pound or fraction thereof for books, 16-millimeter films, and 16-millimeter film catalogs, provided by the Postal Rate Revision and Federal Employees Salary Act of 1948, as amended. The present weight limitation of 70 pounds, and the postage rate of 4 cents for each pound or fraction in excess of the first pound, are continued. The following additional materials are made eligible for these rates: printed music in bound or sheet form, printed test materials and accessories used by or for educational institutions, and manuscripts for books, periodical articles, or music.

The bill continues the present postage rates of 4 cents for the first pound or fraction and 1 cent for each additional pound or fraction on books, films, filmstrips, projected transparencies and slides, microfilms, sound recordings, and catalogs of such materials, sent by or to non-profit public libraries, organizations, or associations under certain conditions. It also extends these rates to all schools, colleges, and universities, spells out the types of nonprofit organizations and associations eligible for such rates on books, and makes the following additional materials eligible for such rates: printed music in bound or sheet form, typewritten or duplicated academic theses in bound volumes, bound volumes of periodicals, and other library materials in printed, duplicated, photographic, or unpublished manuscript form. A limitation of 70 pounds in weight is provided for books, films, filmstrips, projected transparencies and slides, microfilms, sound recordings, and catalogs of such materials sent under these rates. The rates are made applicable to mailings of such books or other materials regardless of the postal zone of delivery, whereas present law limits them to mailings for delivery locally or within the State of mailing or for delivery in the first, second, or third zone. Libraries, organizations, and associations using the rates will be required to furnish satisfactory evidence that none of their net income inures to the benefit of any private stockholder or individual.

FOURTH-CLASS MAIL

No changes are provided in the rates for or method for setting rates on parcel post and catalogs weighing over 8 ounces. Substantial increases have been made in the rates for this class of mail since 1946.

The rates for fourth-class mail were increased by Public Law 900, 80th Congress. The increases provided under that law amounted to \$66,200,000 annually for parcel post, \$3 million annually for catalogs, and \$6 million annually for books.

In accordance with title 39, United States Code, section 247, the Postmaster General is authorized to reform fourth-class mail rates and other conditions of mailability to promote the service to the public or to insure the receipt of revenue from such service adequate to pay the cost thereof. By the direction of Congress in the Supplemental Appropriations Act of 1951 (31 U. S. C. 695), Congress in effect placed a mandate upon the Postmaster General to request the Commission's consent to a readjustment of the fourth-class rates to the extent necessary to provide sufficient revenue to pay the cost of

the service. Certain educational and cultural materials or records furnished blind persons have been excepted from this requirement.

Accordingly, the Postmaster General instituted a proceeding before the Interstate Commerce Commission in October 1950, requesting its consent to certain readjustments on fourth-class mail. Pursuant to the consent of the Commission in this case, the Postmaster General reformed the parcel-post rates to provide increased revenues of \$81,500,000 annually, and catalog rates to provide increased revenues by \$4,600,000 annually, effective October 1, 1951.

Again, in 1953, the Postmaster General petitioned the Commission for its consent to further specific readjustments of the parcel-post and catalog rates, and for controlled circulation publications over 8 ounces in weight. The Commission increased rates which provide additional revenues of approximately \$147 million annually, based on 1955 volume, and the Postmaster General established such increased rates on October 1, 1953. The Commission also consented to increased rates on catalogs which provide additional revenues of about \$2.4 million annually, and to an increase in the rate for controlled circulation publications over 8 ounces from 10 to 11 cents per pound, which produce additional annual revenues of about \$300,000.¹ The Postmaster General established such increased rates on February 1, 1954.

The total of these increases in rates for parcel-post, catalogs, and books since 1946 amounts to approximately \$310.4 million annually, or 111.7 percent.

SUMMARY OF RATE ADJUSTMENTS SINCE 1946

The following table shows revenues and percentage changes from rate adjustments since 1946. Also shown are data on revenues and percentage increases from the rate proposals in the reported bill.

¹ This rate is reestablished at 10 cents by sec. 105 of the bill.

Current annual effect of increases in rates for all classes of mail since 1946

[In millions of dollars]

	Public Law 730 (79th Cong.), 1946	Public Law 900 (80th Cong.), 1949	ICC Docket 30690 1951	Public Law 233 (82d Cong.), 1952	ICC Docket 31074 1953	Total revenue from rate increases since 1946	Percent of increase since 1946	Revenue from H. R. 11380	Percent in- crease on 1955 rates from H. R. 11380	Percent in- crease since 1946 includ- ing H. R. 11380
First class:										
Letters and sealed parcels:								\$295.7	33.3	33.3
Letter mail.....						\$1.5	100.0			100.0
Drop letters ¹				\$1.5		32.8	100.0			100.0
Postal and post cards.....				32.8						
Total, first class.....				34.3		34.3	3.7	295.7	31.0	35.0
Domestic airmail letters.....	-\$49.4	+\$16.5				-32.9	-25.0	16.4	16.6	-12.5
Second class: Publishers' outside county:										
Regular publications:										
Editorial pound rates.....				4.6		4.6	30.0	5.5	30.0	66.7
Advertising pound rates.....				6.9		6.9	30.0	38.0	120.0	185.6
Per piece bulk minimum.....				.4		.4		1.0	100.0	
Exempt publications:										
Pound rates.....										
Per piece bulk minimum.....				.7		.7				
Transient.....				.5		.5	24.2	.8	28.6	60.1
Total, second class.....				13.1		13.1	26.8	45.3	72.4	120.0
Controlled circulation.....		.4			\$0.3	.7	17.0	-.3	-6.0	10.0
Third class:										
Ounce rates.....		18.2		.3		18.5	31.3	36.6	46.0	90.1
Pound rates:										
Circulars, miscellaneous printed mat- ter, and merchandise.....		3.8				3.8	16.6	1.9	14.3	33.3
Books, catalogs, seeds, cuttings, bulbs, roots, scions, and plants.....		2.8				2.8	25.0	2.3	20.0	50.0
Per piece minimum.....				43.5		43.5	50.0	34.3	33.3	100.0
Bulk mailing fee.....		2.3				2.3	(2)	1.9	100.0	(2)
Total, third class.....		27.1		43.8		70.9	38.0	77.0	29.1	74.5
Fourth class:										
Parcel post.....		66.2	\$81.5		146.6	294.3	114.8			114.8
Catalogs.....		3.0	4.6		2.4	10.0	129.8			129.8
Books.....		6.1				6.1	44.3	\$ 1.6	7.8	56.6
Total, fourth class.....		75.3	86.1		149.0	310.4	111.7	1.6	.3	112.0

¹ Local delivery at noncarrier offices.

² Established by Public Law 900.

³ Does not include estimated \$5.6 million loss from extension of preferential rate to additional materials.

EXPLANATION OF POLICY DECLARATION IN TITLE II OF THE BILL

FINDINGS

The policy statement begins with a series of findings and conclusions with respect to the historical background, development, and expansion of the postal service, its contribution to the national economy and public welfare, the need for continuing those services which contribute to the public good, and the manner in which they should be performed.

It finds that—

(1) The postal service was created and has been extended and expanded for the purpose of uniting more closely the American people, to promote the general welfare, and advance national economy; (2) under authority of the Congress, the postal service has expanded into a nationwide network of services and facilities for the communication of intelligence, advancement of education and culture, and the distribution of articles of commerce and industry, contributing substantially to the national economy and the public good; (3) in the continued expansion of the service and the authorization of services at a calculated loss to the Government, the Postal Establishment performs some services and functions in which the benefit to the public interest greatly outweighs profit and loss factors; (4) the postal service should be operated in a businesslike manner but not as a commercial enterprise conducted for profit; (5) it is unfair to place on a particular user or class of user of the mails the burden of underwriting those expenses incurred by the Postal Establishment which, being public services, are not related to the service they receive; (6) Congress, except with respect to fourth-class mail and certain special services, has never laid down a firm policy with respect to the identification and evaluation of services rendered by the Postal Establishment in whole or in part for the benefit of the general public and those which inure to certain users of the mails; and (7) there is immediate need for a clear and affirmative declaration of congressional policy with respect to the creation and maintenance of a sound and equitable postal-rate structure.

DECLARATION OF POLICY

Title II also declares that it is the policy of the Congress (1) to provide a more stable basis for the postal-rate structure by the establishment of general principles, standards, and related requirements with respect to the determination and allocation of postal revenues and expenses, and (2) in accordance with those general principles, standards, and related requirements, to provide a means by which Congress, from time to time, may adjust the postal-rate structure in the light of periodic reviews of the postal-rate structure, expenses and revenues, and reports and recommendations made by the Postmaster General on the basis of the cost-ascertainment system.

In addition to declaring the policy it outlines the general principles, standards, and related requirements referred to in the policy.

It provides that in fixing and adjusting postal rates, consideration should be given to (1) preservation of the inherent advantages of the postal service in promoting the social, cultural, intellectual, and commercial intercourse of the people of the United States; (2) development

and maintenance of a postal service adapted to the present and future needs of the people of the United States; (3) promotion of an adequate, economical, and efficient postal service at just and reasonable rates and fees; (4) the impact of postal rates and fees on users of the mails; (5) the postal requirements as to the manner and form of preparation and presentation of mailings of the various classes; (6) the value of the mails; (7) the value of the time of delivery; and (8) the quality and character of the service measured in terms of priority, secrecy, security, speed of transmission, use of facilities and manpower, and other pertinent factors.

FIRST CLASS MAIL PREFERRED SERVICE

Under the recommended policy first-class mail, which, according to the definitions contained in section 208 includes airmail, but not air parcel post, is a preferred service and the postage for first-class mail should be sufficient to cover (1) the entire amount of expenses allocated to it and (2) an additional amount representing the fair value of all extraordinary and preferential services, facilities, and factors.

PUBLIC SERVICE

The recommended policy provides that services, elements of service and facilities performed and provided by the Postal Establishment in accordance with law, including services having public service aspects, which in whole or in part the Congress, from time to time, determines are public services, are to be administered as follows:

1. The expenses of such services should be assumed directly by the Federal Government and paid for out of general fund of the Treasury. These public service items should not constitute direct charges in the form of rates and fees upon any user or class of users of such public services, or of the mails generally.

2. Nothing in this title is to be construed as indicating any intention on the part of Congress that such public services should be limited or restricted or to derogate in any way for the need and desirability of those services in the public interest.

For the purpose of fixing and adjusting the postal-rate structure in the manner provided by this title, and by sections 246f and 247 of title 39, United States Code, postal rates shall be adjusted from time to time so that the adjusted revenues shall be approximately equivalent to the total amount of expenses. This subsection does not change the standards governing rates and reformatations on fourth-class mail which are prescribed in section 247 of title 39 United States Code as modified by section 695, title 31, United States Code.

The Congress has heretofore declared that fourth-class mail as a whole shall be approximately self-sufficient, excluding from consideration those subclasses of fourth-class mail upon which the Postmaster General's authority has been withdrawn by Congress. These are stated in sections 292a (d) and (e) as amended by this bill and 293 (c) of title 39, United States Code.

AUTHORIZATION OF APPROPRIATIONS

An appropriation to the revenue of the Department for each fiscal year of an amount equal to the sum of the public service items referred to in section 203 (c) (3) is authorized. Such appropriation is to be available to enable the Postmaster General to pay into postal revenues at quarterly or other intervals such amounts as he deems to be necessary to reimburse the Department for public service expenses and losses of revenue.

APPLICATION OF COST-ASCERTAINMENT SYSTEM

For the purposes of this title the revenues and expenses of the Department are to be determined and ascertained and each allocation and apportionment with respect thereto are to be made on the basis of the cost-ascertainment system unless otherwise indicated in this title. Nothing in the title is to be construed to affect the cost-ascertainment system or any authority, power, duty, or procedure of the Postmaster General or the postal establishment generally, except to the extent necessary to carry out the provisions of this title.

REPORTS BY POSTMASTER GENERAL

The Postmaster General is directed to conduct on a continuing basis or from time to time, but not less than every 2 years, a review of the postal rate structure. The review will include a survey of the expenses incurred and the revenues received in connection with the several classes of mail, kinds of services and facilities provided by the Postal Establishment with a view to determining for each class and kind of service and facility provided the need for adjustment of postal rates and fees. The Postmaster General must submit to the Senate and House of Representatives before April 15 of each alternate fiscal year beginning with the fiscal year ending June 30, 1959, a report of the results of his review. The report must include information with respect to expenses and revenues pertinent to the allocation of expenses and the determination and adjustment of postal rates and fees, such other information as is necessary to enable the Congress to carry out its function under this title and such other recommendations as the Postmaster General considers appropriate.

ADJUSTMENT OF RATES BY CONGRESS

This title is not to be construed to authorize any change, adjustment, or revision with respect to any postal rate or fee except as is otherwise provided by law or may be provided by further action of the Congress. It is made clear that there is no new grant of authority to the Postmaster General to fix rates or fees, and that it does not take away his authority to fix fees for special services (39 U. S. C. 246f) and to seek reformation of rates and other conditions of mailability of fourth-class mail (39 U. S. C. 247).

COMMUNICATION FROM THE PRESIDENT OF THE UNITED STATES
RELATING TO POSTAL RATES

Postal rate legislation was introduced after the receipt of the following letter from the President of the United States which included a report of the Postmaster General on the need for postal rate revision:

THE WHITE HOUSE,
Washington, February 1, 1956.

The Honorable SAM RAYBURN,
The Speaker, House of Representatives,
Washington, D. C.

DEAR MR. SPEAKER: I transmit herewith for the consideration of the Congress a report submitted to me by the Postmaster General, reviewing major activities of the Post Office Department and offering proposals for modernization and improvement of operations and the postal-rate structure.

I urge the Congress to give earnest attention to the proposals in the report.

Sincerely,

DWIGHT D. EISENHOWER.

POST OFFICE DEPARTMENT,
OFFICE OF THE POSTMASTER GENERAL,
Washington 25, D. C., January 30, 1956.

The PRESIDENT,
The White House.

DEAR MR. PRESIDENT: You asked for more details on the two inter-related deficiencies which hamper our postal establishment today—the first, in postal revenue; the second, in physical plant. As you advised the Congress in your state of the Union message, we must remedy these deficiencies swiftly and thus make certain that our mail service is efficient and economical, as our people rightly expect and deserve.

Each year our postal service goes heavily into the red. From any standpoint, this process is indefensible. In this period of high prosperity, we cannot justify dodging the cost of our own mail deliveries and passing it on to our children. Nor is it better to use the taxes paid by every citizen to keep down the postal costs of the few who use the mails the most. And, while our country is so prosperous, yet so heavily in debt, continuing to run our postal operations at a loss encourages fiscal irresponsibility in every area of government.

You know, of course, that I am referring to very large sums of money. In the past 10 years the costs of the Post Office Department exceeded its revenues by almost \$5 billion. Ignoring the huge interest payments on this sum, that \$5 billion would have paid for 5,000 new \$1 million schools; and yet, instead of new schools, we have chosen to bequeath to our children these postal charges, plus more than \$100 million a year today in interest. We cannot, in good conscience, keep on this way.

You are aware of our major postal improvements and savings during the past 3 years. Yet, the yearly deficit still runs up to almost \$500 million, of which \$200 million go for the pay raises and other employee benefits passed by the Congress last year.

It is hard for most of us to realize what so large a sum of money really means. The fact is, we are losing \$1,000 a minute. Every hour our taxpayers have to put up another \$60,000. Despite new

machinery, improved methods, modernized personnel practices, this Department is going into the red in an amount that would pay for—

Every week, more than 1,000 new \$10,000 homes;

Every day, a new fighter plane;

Every 2 days, a new jet bomber.

We are losing money in these huge amounts because we are still charging 1932 rates but paying 1956 costs.

Letter rates are the same today as they were in 1932.

Second-class rates on magazines and newspapers have increased only about 3 percent net since 1932.

Third-class rates for advertising matter and small parcels are up just over a third since 1932.

Yet, operating costs have more than doubled since 1932.

In keeping with your insistence on fiscal integrity in Government, you have urged an increase in postage rates. In this way, too, the actual users of the mails will assume costs they now pass on to the general public.

An increase of 1 cent per ounce for first-class mail is essential to any sizable cut in the postal deficit. Because 75 percent of all letter mail originates with business, the increase would directly cost the average family only about 10 to 12 cents a month, and yet it would bring in \$295 million each year in new revenue.

An increase of 1 cent per ounce for airmail would bring in \$16 million more and would keep the present differential between letter and airmail charges.

For second-class mail—mainly newspapers and magazines—we propose two successive annual increases of approximately 15 percent each. These two increases, when effective, will bring in around \$17 million more a year. For such mail, we now receive about 2½ cents a pound in postage, but last year we spent 11½ cents to handle each pound before the recent pay raises moved the cost up still more.

For third-class mail—mainly advertising matter—we need a rate increase averaging 30 percent to bring in about \$77 million more.

In total these increased revenues, plus other minor rate increases adding up to \$1,500,000 a year, will barely more than equal the sum of the annual wage increases granted last year to our employees and the annual cost of modernizing our physical plant. It is now estimated that they would yield approximately \$406,500,000; \$56,500,000 more than was estimated earlier in your budget message. Thereby we could accelerate the later discussed new construction and maintenance program which, if approved, could begin next fiscal year.

As regards our physical plant, our second major deficiency, I am in full accord with your conviction that the remedy is dependent upon our first making a major reduction in the annual postal deficit. I believe that your position on this point has wholehearted public support.

Nonetheless, the need for improvement of our physical plant is indeed critical. This improvement, combined with the rate increases, should result in new efficiencies and economies that will largely eliminate the annual postal deficits.

For nearly 20 years our physical plant has lagged behind the Nation's growth. In this period nonfarm households, each a new stop for a mailman, have increased by half. Yet, no money has been

appropriated for Government construction of postal buildings since 1938.

Aside from the roughly 15,000 fourth-class post offices whose facilities are provided by postmasters, we have today some 25,000 postal units in rented, leased, or Federal buildings. Most of these buildings badly need modernization or enlargement. Many need replacement. Much of our work today is done with outmoded equipment in run-down, overcrowded, poorly lighted post offices built 50 or more years ago.

The decrepitude of some of these facilities, in today's America, is truly astonishing. In some of our major cities postal facilities are so inadequate and antiquated that, regardless of the weather, mail must be handled on the sidewalks. Indoors the work of thousands of postal employees is hampered by inadequate space, poor ventilation, old-fashioned equipment, and obsolete lighting. Far too much work has to be done expensively and slowly by hand.

In these circumstances, morale and efficiency inevitably suffer, and our operational costs stay high.

The correction of these conditions requires action of a scope going far beyond the ordinary budget of this Department. A bold, vigorous, large-scale program is urgently needed, and should be accomplished simultaneously with the postage-rate increases I have already mentioned.

The relatively few millions the Department has been able to spend to improve these conditions have given results indicative of the valuable benefits a large-scale program would achieve.

A few post offices have been renovated and provided with modern lighting and equipment. Immediately, faster handling of the mail and reduction of errors have resulted.

Since January 1953, about 1,000 new postal buildings, built to the Department's specifications and valued at about \$50 million, have been leased from private owners.

Under the new lease-purchase plan enacted by the Congress, whereby buildings are bought out of rent, 27 more projects representing \$14 million in new construction have been approved.

Through these and other improvements, we were able to carry 8½ percent more mail in fiscal year 1955 than in fiscal year 1953, and we spent comparatively less money doing so. But further major progress is impeded until we have modern postal buildings and equipment to meet our nationwide requirements.

To modernize and maintain the postal plant, these approximate amounts should be spent over a 5-year period:

(a) \$230 million of private capital to build approximately 3,500 new postal buildings distributed throughout the Nation. These would be built and financed by private capital and used by the Post Office Department under normal commercial lease agreements or lease-purchase contracts.

(b) \$225 million of Government funds for new lighting, painting, air-conditioning, and long-deferred maintenance of federally owned postal buildings to assure postal employees of wholesome working conditions.

(c) \$200 million of Government funds for the modernization and rehabilitation of approximately 60 percent of the space in

present federally owned postal buildings to provide adequate room for handling mail.

(d) \$125 million of Government funds for modern timesaving and man-saving mechanical equipment to handle mail better, faster, and at lower cost.

These new and modernized buildings will be an excellent investment, paying dividends to our people in the form of more efficient, lower cost mail service. It is my hope that this 5-year program can get underway as soon as the existing postal deficit is sharply cut and the funds are made available.

I know you will be pleased to hear—and I am highly gratified to report to you—that many leading publications, activated by well-founded concern for the public good, now support postage-rate increases for the first three classes of mail. Given comparable public-spirited support in other areas of the public and within the Government itself, I look forward to early approval of these increases, thereby enabling us to begin the urgently needed program to bring our postal establishment up to date.

These, Mr. President—increased postage rates and a modernized physical plant—are essential steps to give our people efficient postal service, performed in modern buildings by fairly compensated employees using the latest work-saving equipment. Once these steps are taken, this Department and its half million dedicated employees can satisfactorily meet the ever expanding postal needs of our people.

Respectfully submitted.

ARTHUR E. SUMMERFIELD,
Postmaster General.

CHANGES IN EXISTING LAW

In compliance with clause 3 of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as introduced, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italics, existing law in which no change is proposed is shown in roman):

FIRST SECTION OF JOINT RESOLUTION OF JUNE 30, 1947 (61 STAT. 213; PUBLIC LAW 144, EIGHTIETH CONGRESS)

That the rate of postage on all mail matter of the first class (except postal cards and private mailing or post cards) shall be [3] 4 cents for each ounce or fraction thereof: * * *

SECTIONS 201 AND 204 OF THE POSTAL RATE REVISION AND FEDERAL EMPLOYEES SALARY ACT OF 1948 (62 STAT. 1261; 39 U. S. C., SECS. 463a AND 292a)

AIR MAIL

SEC. 201. The rate of postage on all domestic air mail as defined in Public Law 730, Seventy-ninth Congress, shall, except in the case of postal cards and private mailing or post cards, be [6] 7 cents for each ounce or fraction thereof. * * *

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FOURTH-CLASS (PARCEL POST) MAIL

SEC. 204. (a) * * *

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(d) [(1) Books, permanently bound for preservation consisting wholly of reading matter or reading matter with incidental blank spaces for student's notations and containing no advertising matter other than incidental announcements of books and when in parcels not exceeding seventy pounds in weight, may be sent at the postage rate of 8 cents for the first pound or fraction thereof and 4 cents for each additional pound or fraction thereof.

[(2) The rate provided in paragraph (1) for books may apply to sixteen-millimeter films and sixteen-millimeter film catalogs when sent through the mails except when sent to commercial theaters.] *The following materials when in parcels not exceeding seventy pounds in weight may be sent at the postage rate of 10 cents for the first pound or fraction thereof and 4 cents for each additional pound or fraction thereof, and this rate shall continue until otherwise provided by the Congress: (1) books permanently bound for preservation consisting wholly of reading matter or scholarly bibliography or reading matter with incidental blank spaces for students' notations and containing no advertising matter other than incidental announcements of books; (2) sixteen-millimeter films and sixteen-millimeter film catalogs except when sent to commercial theaters; (3) printed music whether in bound form or in sheet form; (4) printed objective test materials and accessories thereto used by or in behalf of educational institutions in the testing of ability, aptitude, achievement, interests, and other mental and personal qualities with or without answers, test scores, or identifying information recorded thereon in writing or by mark; and (5) manuscripts for books, periodical articles, and music.*

[(e) (1) Books, consisting wholly of reading matter and containing no advertising matter other than incidental announcements of books, when sent by public libraries, organizations, or associations not organized for profit and none of the net income of which inures to the benefit of any private stockholder or individual, as a service to county or other unit libraries or as a loan to readers or when returned by the latter libraries or readers to such public libraries, organizations, or associations shall be charged with postage at the rate of 4 cents for the first pound or fraction thereof and 1 cent for each additional pound or fraction thereof, except, that the rates now or hereafter prescribed for third- or fourth-class matter shall apply in every case where such rate is lower than the rate prescribed in this subsection for books under this classification: *Provided*, That this rate shall apply only to such books as are addressed for local delivery, for delivery in the first, second, or third zone, or within the State in which mailed. Public libraries, organizations, or associations before being entitled to the foregoing rates shall furnish to the Postmaster General, under such regulations as he may prescribe, satisfactory evidence that none of their net income inures to the benefit of any private stockholder or individual.

[(2) The rate provided in paragraph (1) for books may apply to sixteen-millimeter films, filmstrips, projected transparencies and slides, microfilms, sound recordings, and catalogs of such materials when

sent to or from (A) schools, colleges, universities, or public libraries, and (B) religious, educational, scientific, philanthropic, agricultural, labor, veterans', or fraternal organizations or associations, not organized for profit and none of the net income of which inures to the benefit of any private stockholder or individual.】

(e) (1) *The following materials when in parcels not exceeding seventy pounds in weight when loaned or exchanged between (A) schools, colleges, or universities and (B) public libraries, religious, educational, scientific, philanthropic, agricultural, labor, veterans, or fraternal organizations or associations, not organized for profit and none of the net income of which inures to the benefit of any private stockholder or individual, or between such organizations and their members or readers or borrowers, shall be charged with postage at the rate of 4 cents for the first pound or fraction thereof and 1 cent for each additional pound or fraction thereof, and this rate shall continue until otherwise provided by the Congress:* (a) books consisting wholly of reading matter or scholarly bibliography or reading matter with incidental blank spaces for students' notations and containing no advertising matter other than incidental announcements of books; (b) printed music, whether in bound form or in sheet form; (c) bound volumes of academic theses in typewritten or other duplicated form and bound volumes of periodicals; and (d) other library materials in printed, duplicated, or photographic form or in the form of unpublished manuscripts.

(2) *The rate provided in paragraph (1) for books may apply to sixteen-millimeter films, filmstrips, projected transparencies and slides, microfilms, sound recordings, and catalogs of such materials when sent in parcels not exceeding seventy pounds in weight to or from (A) schools, colleges, or universities and (B) public libraries, religious, educational, scientific, philanthropic, agricultural, labor, veterans, or fraternal organizations or associations, not organized for profit and none of the net income of which inures to the benefit of any private stockholder or individual.*

(3) *Public libraries, organizations, or associations, before being entitled to the rates specified in paragraphs (1) and (2) of this subsection, shall furnish to the Postmaster General, under such regulations as he may prescribe, satisfactory evidence that none of their net income inures to the benefit of any private stockholder or individual.*

SECTIONS 2 AND 3 OF THE ACT OF OCTOBER 30, 1951 (65 STAT. 672;
39 U. S. C., SECS. 289a AND 290a-1)

SECOND-CLASS MAIL

SEC. 2. (a) In the case of publications entered as second-class matter (including sample copies to the extent of 10 per centum of the weight of copies mailed to subscribers during the calendar year) when mailed by the publisher thereof from the post office of publication and entry or other post office where such entry is authorized, or when mailed by news agents (registered as such under regulations prescribed by the Postmaster General) to actual subscribers thereto or to other news agents for the purpose of sale, the total postage computed at the pound rates in effect under existing law and based on the bulk weight of each mailing shall be increased (1) by 10 per centum, beginning on April 1, 1952, (2) by an additional 10 per centum, based on the rates

now in force, beginning on April 1, 1953, and (3) by an additional 10 per centum, based on the rates now in force, beginning on April 1, [1954] 1954, and (4) such postage is further adjusted to the amounts set forth in the following table, on the dates specified:

	Effective July 1, 1956 (cents per pound, or fraction thereof)	Effective July 1, 1957 (cents per pound, or fraction thereof)	Effective July 1, 1958 (cents per pound, or fraction thereof)	Effective July 1, 1959 (cents per pound, or fraction thereof)	Effective July 1, 1960 (cents per pound, or fraction thereof)
<i>A publication having not more than 5 per centum of its space devoted to advertisements, and that portion of other publications devoted to matter other than advertisements</i> -----	2.1	2.2	2.3	2.4	2.5
<i>Advertising portion of a publication having more than 5 per centum of its space devoted to advertisements:</i>					
<i>First and second zones</i> -----	2.4	2.9	3.4	3.8	4.3
<i>Third zone</i> -----	3.2	3.8	4.4	5.0	5.6
<i>Fourth zone</i> -----	4.8	5.8	6.7	7.6	8.6
<i>Fifth zone</i> -----	6.4	7.7	9.0	10.2	11.5
<i>Sixth zone</i> -----	8.0	9.6	11.2	12.8	14.4
<i>Seventh zone</i> -----	9.7	11.5	13.4	15.2	17.0
<i>Eighth zone</i> -----	11.2	13.4	15.6	17.8	20.0

: *Provided*, That publications having over 75 per centum advertising in more than one-half of their issues during any twelve months' period shall not be accepted for mailing as second-class matter and their entry shall be revoked, except that for the purpose of this proviso only, a charge made solely for the publication of transportation schedules, fares, and related information shall not be construed as constituting a charge for advertising: *Provided further*, That the rate of postage on newspapers or periodicals maintained by and in the interests of religious, educational, scientific, philanthropic, agricultural, labor, veterans' or fraternal organizations or associations, not organized for profit and none of the net income of which inures to the benefit of any private stockholder or individual, shall be 1½ cents per pound or fraction thereof, and the increases provided by this section shall not apply to such rate: *And provided further*, That existing rates shall continue in effect with respect to any religious, educational, or scientific publication designed specifically for use in school classrooms or in religious instruction classes. The publisher of any such newspaper, periodical, or publication before being entitled to such rate shall furnish proof of qualification to the Postmaster General at such times and under such conditions as the Postmaster General may prescribe.

* * * * *

(c) In no case, except where the free-in-county mailing privilege is applicable, shall the postage on each individually addressed copy be less than [one-eighth of 1 cent] *one-fourth of 1 cent, except that (1) the postage on each individually addressed copy mailed by the organizations listed, and for the purposes prescribed, in the second and third provisos of subsection (a) of this section, and each individually addressed copy of a publication of the second class addressed for delivery within the county and not entitled to the free-in-county mailing privilege, shall not be less than one-eighth of 1 cent and (2) the per copy rates prescribed for publications covered by section 25 of the Act of March 3, 1879, as amended (39 U. S. C., sec. 286), are continued.*

(d) The rate of postage on copies of publications having second-class entry mailed by others than the publishers or authorized news agents, sample copies mailed by the publishers in excess of the 10 per centum allowance entitled to be sent at the pound rates, and copies mailed by the publishers to persons who may not be included in the required legitimate list of subscribers, shall be 2 cents for the first two ounces and [1 cent] $1\frac{1}{2}$ cents for each additional two ounces or fraction thereof, except when the postage at the rates prescribed for fourth-class matter is lower, in which case the latter rates shall apply, computed on each individually addressed copy or package of unaddressed copies, and not on the bulk weight of the copies and packages.

THIRD-CLASS MAIL

SEC. 3. The rate of postage on third-class matter shall be [2] 3 cents for the first two ounces or fraction thereof, and [1 cent] $1\frac{1}{2}$ cents for each additional ounce or fraction thereof up to and including eight ounces in weight, except that the rate of postage on books and catalogs, of twenty-four pages or more, seeds, cuttings, bulbs, roots, scions, and plants not exceeding eight ounces in weight shall be [2] 3 cents for the first two ounces or fraction thereof and [1½ cents] 1 cent for each additional [two ounces] ounce or fraction thereof: *Provided*, That upon payment of a fee of [\$10] \$20 for each calendar year or portion thereof and under such regulations as the Postmaster General may establish for the collection of the lawful revenue and for facilitating the handling of such matter in the mails, it shall be lawful to accept for transmission in the mails, separately addressed identical pieces of third-class matter in quantities of not less than twenty pounds, or of not less than two hundred pieces, subject to pound rates of postage applicable to the entire bulk mailed at one time: *Provided further*, That the rate of postage on third-class matter mailed in bulk under the foregoing provision shall be [14] 16 cents for each pound or fraction thereof with a minimum charge per piece of [1 cent] 2 cents, except that in the case of books and catalogs of twenty-four pages or more, seeds, cuttings, bulbs, roots, scions, and plants the rate shall be [10] 12 cents for each pound or fraction thereof with a minimum charge per piece of [1 cent] 2 cents: *Provided further*, That the minimum charge per piece of 1 cent specified in the foregoing proviso shall be increased to $1\frac{1}{2}$ cents on July 1, 1952: *Provided further*, That pieces or packages of such size or form as to prevent ready facing and tying in bundles and requiring individual distributing throughout shall be subject to a minimum charge of [3] 5 cents each: *And provided further*, That the rates prescribed by this section shall not apply with respect to matter mailed by religious, educational, scientific, philanthropic, agricultural, labor, veterans', or fraternal organizations or associations, not organized for profit and none of the net income of which inures to the benefit of any private stockholder or individual, and the existing rates shall continue to apply with respect to such matter.

The American Medical Association is a non-profit corporation organized for the purpose of promoting the interests of the medical profession and the public. It is composed of members who are physicians, surgeons, dentists, and other medical practitioners. The Association is organized into various departments and committees, each of which is responsible for a specific area of medical practice. The Association's primary concern is the advancement of medical science and the improvement of medical practice. It does this by publishing the Journal of the American Medical Association, which is one of the most important medical journals in the world. The Association also holds annual meetings and publishes various other publications. The Association's activities are financed by the contributions of its members and by the sale of its publications.

The Journal of the American Medical Association is a weekly publication that contains a wide variety of articles on medical topics. The articles are written by leading medical authorities and are of high scientific quality. The Journal is published in English and is available to all members of the Association. The Journal's content is organized into several sections, including original articles, reviews, and news items. The Journal is a valuable resource for all medical practitioners and is highly regarded by the medical community.

The Journal of the American Medical Association is published by the American Medical Association, which is a non-profit corporation. The Association is organized into various departments and committees, each of which is responsible for a specific area of medical practice. The Association's primary concern is the advancement of medical science and the improvement of medical practice. It does this by publishing the Journal of the American Medical Association, which is one of the most important medical journals in the world. The Association also holds annual meetings and publishes various other publications. The Association's activities are financed by the contributions of its members and by the sale of its publications.

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POSTAL RATE READJUSTMENT AND POLICY

JUNE 8, 1956.—Ordered to be printed

Mr. MORRISON, from the Committee on Post Office and Civil Service,
submitted the following

MINORITY VIEWS

[To accompany H. R. 11380]

The undersigned members of the committee do not agree with the readjustment of postal rates as provided in H. R. 11380.

INCREASES IN FIRST-CLASS AND AIR MAIL NOT SUPPORTED BY COST ASCERTAINMENT

The proposed increase from 3 cents to 4 cents for first-class mail and from 6 cents to 7 cents for domestic airmail is not supported by the cost ascertainment report of the Post Office Department. Table 100 of that report for fiscal year 1955 shows that in the case of first-class mail there was an excess of revenues over expenditure of \$62,300,000, and in the case of domestic airmail, there was an excess of revenues over expenditures of \$20,266,000.

COST ASCERTAINMENT IS RELIABLE

Since 1925, by direction of Congress, the Post Office Department has operated this cost accounting procedure known as the cost ascertainment system. It is well established that the system is reliable as a means of allocating the cost of the postal service. It is this system which the Postmaster General has used in establishing rates, with the approval of the Interstate Commerce Commission, that enables the Department to maintain its parcel post service (fourth-class mail) on a break-even basis.

Over the years the Post Office Department has steadfastly defended this system. It has been investigated and approved by nationally known accounting firms. In the hearings on this legislation, the witnesses for the Post Office Department used the cost ascertainment

report in support of the rates recommended. They contended, however, that—

the cost ascertainment system is not offered as a final formula for setting rates. It is merely an initial yardstick that can be very helpful in ratemaking if properly used.

INTANGIBLE FACTORS

It was also stated that cost ascertainment does not take into account such intangible factors as:

- (1) The priority which may be given to any one class of mail or service over another;
- (2) the relative value of the various services to the public; or
- (3) the relative intrinsic value of the items handled.

To balance these factors, the Department submitted a fantastic formula, page 816 of the committee hearings, which takes \$157.4 million of the loss on second-class mail, \$117.4 million of the loss on third-class mail, and the entire loss of \$63.9 million on special services, and transfers practically the entire amount of \$336 million as additional charges against first-class and air mail.

It would appear that to a large extent the priority or preferred handling accorded to first-class and air mail is reflected in the cost ascertainment allocations. This system is based on a study conducted four times a year in a number of post offices throughout the Nation. It seems to us that in the places where the quarterly studies are made and where there is a careful and accurate recording of the actual time of employees and the actual use of facilities for each class of mail, that the cost of preferred handling is developed.

The second intangible, the relative value of various services to the public, as used in ratemaking is a factor that must be established as a policy determination by Congress.

The third intangible, the relative intrinsic value of the items handled, has not been evaluated and it is extremely doubtful that it should be considered with respect to postal rates.

POSTAL COSTS PAID BY OTHER GOVERNMENT DEPARTMENTS

As further justification for increased rates, the Department has set up charges under the heading "postal costs now paid by other Government departments" items which include retirement pay accrual, workmen's compensation, depreciation on public buildings, unemployment compensation, etc. The total of these items is said to be \$231.4 million estimate for fiscal year 1955, of which \$78.8 million is allocated as a charge against first-class and air mail.

It is felt that these are unauthorized and improper bookkeeping charges at this time. The Congress has not determined that the cost of retirement of Government employees be placed on an accrual basis—neither has there ever been a charge against any Government department for depreciation of public buildings.

AIRMAIL

The recommendation for an increase in the airmail rate from 6 cents to 7 cents appears to be inconsistent in view of the "experiments" that have been carried on by the Post Office Department for several years

in transmitting by airmail ordinary letter mail on which the 3-cent rate has been prepaid. This transportation of 3-cent letter mail by air has been conducted between New York, Washington and points in Florida; New York, Washington and Chicago; and on the west coast between Seattle, Portland, San Francisco, Los Angeles, and San Diego.

It is reported that the volume of 3-cent letter mail carried by air almost equals the volume of airmail letters prepaid at the 6-cent rate and statements have been made by the Department that there is economy in the transmission of this ordinary mail by air.

The Department pays an average of a little more than 39 cents a ton-mile for the transportation of airmail by the trunklines; by special agreement with the airlines, the Department pays an average of about 19 cents a ton-mile for the ordinary 3-cent letter mail transported in airplanes.

In a report by the Comptroller General submitted to the Congress in April 1956, it is stated that the amount collected by the air carriers for airfreight between the east and west coasts is considerably less than the amount paid by the Post Office Department for carrying airmail. Both are handled in substantially the same manner as cargo, yet this report states that an air carrier receives a maximum of \$577.60 for carrying a ton of general commodity merchandise westbound from New York to Los Angeles which is the highest freight rate of \$28.88 per 100 pounds. Most other commodity rates are cheaper. East-bound the rate may be as little as 60 percent of the westbound rate. For carrying a ton of mail the same distance a trunkline now receives mail pay of \$811.

This report from the Comptroller General also points out that under the newly adopted transcontinental coach fare of \$80, the airlines receive less gross revenue for carrying 10 passengers, including free baggage, the equivalent of a ton, from New York to Los Angeles than they receive for carrying a ton of mail the same distance.

We believe that every effort should be made to determine what is a fair charge for transporting the mail before airmail rates are increased.

POSTAL POLICY SHOULD BE IMPLEMENTED PRIOR TO CONSIDERATION OF RATE INCREASES

In round figures, the Department's operating deficit in fiscal year 1955 was approximately \$370 million. According to cost ascertainment reports this deficit resulted from a loss of \$233 million in handling second-class mail; \$172 million in handling third-class mail and \$47 million in the operation of special services. These losses were partly offset by a profit of \$82 million in first-class and airmail.

We are of the opinion, however, that no action should be taken with respect to increases in rates on first-class and airmail until and after the postal rate policy provided for under title II of H. R. 11380 has been implemented by the Congress.

The Congress has the authority, under the Constitution, to regulate postage rates and it alone has the authority to determine the value of public service with respect to each of the classes of mail. There is no known yardstick or device to accurately determine these values.

Therefore, it seems that the Congress must eventually make a decision as to the percentage of credits or subsidies that will be allocated to cover the public service aspects with respect to each class of mail.

Until that is accomplished, we are of the opinion that it would be inconsistent to require higher rates from the users of first-class and airmail service, which obviously would be for the purpose of overcoming the deficit resulting from the handling of second- and third-class mail and the special services.

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